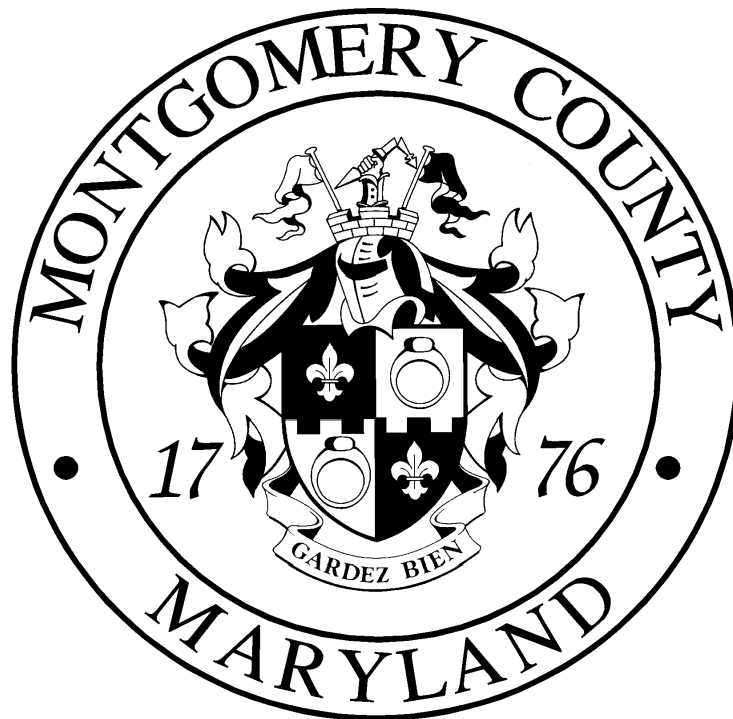


OFFICE OF INSPECTOR GENERAL

AUDIT AND INVESTIGATIVE PROCEDURES MANUAL



**MONTGOMERY COUNTY, MARYLAND
OFFICE OF INSPECTOR GENERAL**

FOREWARD

This manual contains instructions and forms for conducting the work of the Office of Inspector General. The office generally completes its work by issuing reports. An OIG work product may be called any of the following: audit, investigation, examination, inspection, evaluation, analysis, review, or memorandum. These terms as used by OIG all describe a process or processes that will, to the greatest extent practicable as determined by the inspector general, adhere to the procedures outlined herein.

The procedures described in this manual and the accompanying appendices adhere to generally accepted government auditing and investigative standards established by the Comptroller General of the United States, the President's Council on Integrity and Efficiency, and the Executive Council on Integrity and Efficiency. Those standards and all authoritative interpretations of the standards are hereby incorporated by reference into this manual unless noted otherwise.

**MONTGOMERY COUNTY, MARYLAND
OFFICE OF INSPECTOR GENERAL**

**Procedure No. 1
STAFF ASSIGNMENT**

Purpose

To establish the procedure for assigning projects.

Background

Staff is assigned to projects on the basis of availability, complexity of project, and the particular skills and background required to perform the work. Each project is assigned a job number at the start of the assignment. This job number is used on all work papers and timesheets.

Procedure

Inspector General	1. Assign the project to available staff.
	2. Prepare the assignment memorandum. It should indicate the project title, available staff, estimated time budget, expected completion date, and any special instructions.
Office Manager	3. Provide the job assignment number.
	4. Provide copies of the assignment memorandum to members of the project team.
	5. File the assignment memorandum in project work papers.

Deliverable

Staff assignment memorandum.

**MONTGOMERY COUNTY, MARYLAND
OFFICE OF INSPECTOR GENERAL**

Procedure No. 1

STAFF ASSIGNMENT

(sample deliverable)

MEMORANDUM

(Date)

TO: FILE

FROM: Norman D. Butts,
Inspector General

SUBJECT: Staff Assignment for _____ Audit/Investigation

David Newcomer, Mary Wengraf Meier, and Laura Barretto are hereby assigned to the _____ Audit/Investigation. The number assigned to this job is _____. At the present time it is estimated that the time budget is _____ hours. A completion date of _____ is contemplated. The time budget and completion date will be adjusted as necessary at the time the audit/investigative plan is completed.

MONTGOMERY COUNTY, MARYLAND OFFICE OF INSPECTOR GENERAL

Procedure No. 2

STAFF INDEPENDENCE

Purpose

To document staff qualifications and independence with regard to the project assignment.

Background

Staff assigned to conduct an audit or investigation should collectively possess adequate professional proficiency for the tasks required. Staff is assigned to projects on the basis of availability, complexity of project, and the particular skills and background required to perform the work. Personal impairments, i.e., personal relationships, past management experience, biases, etc., are also taken into consideration. Staff will not be assigned where an impairment exists, unless the assignment is unavoidable and a justification is provided. Should an actual or perceived impairment arise during the course of an assignment, staff is responsible for advising the inspector general immediately.

Procedure

Staff	1. Complete the Staff Independence Certificate.
Inspector General	2. Review and approve each Staff Independence Certificate.
Staff	3. File the Staff Independence Certificates in the work papers. Should an actual or perceived impairment arise during the course of the assignment, advise the Inspector General immediately.

Deliverable

Staff independence certificates.

**MONTGOMERY COUNTY, MARYLAND
OFFICE OF INSPECTOR GENERAL**

Procedure No. 2

STAFF INDEPENDENCE

(sample deliverable)

**MONTGOMERY COUNTY, MARYLAND
OFFICE OF INSPECTOR GENERAL**

AUDITOR/INVESTIGATOR INDEPENDENCE CERTIFICATE

It is the policy of the Office of Inspector General that, in all matters relating to audits or investigations, all auditors/ investigators must be free from personal and external impairments to independence, must be organizationally independent, and must maintain an independent attitude and appearance.

I, _____, have reviewed the standard on independence (*Government Auditing Standards* §§3.11- 3.25) and in my opinion, my participation in the audit/investigation of _____ meets this independence standard.

Signature

Date

Although my participation in the above referenced audit/investigation meets the definition of independence, the following is hereby brought to the attention of the inspector general (list relatives or close friends employed at the subject agency, possible biases or pre-conceived ideas, potential conflicts of interest, personal or financial interests, or the like):

Signature

Date

Verification of Auditor/Investigator Independence

I, Norman D. Butts, Inspector General, find the above referenced auditor/investigator has no personal, external, or organizational impairments that might impede or give the appearance of impeding the independence of his or her work on this audit/investigation.

Signature

Date

**MONTGOMERY COUNTY, MARYLAND
OFFICE OF INSPECTOR GENERAL**

Procedure No. 3

AGENCY NOTIFICATION

Purpose

To inform agency management that the Office of Inspector General is initiating an audit or investigation of the agency or its program.

Note: Depending upon the particular circumstances an agency may not be notified of an investigation.

Background

The agency notification memorandum should refer to the current inspector general work plan indicating the authorization to initiate the review and should provide for the scheduling of the entrance conference.

Procedure

Staff	1. Prepare the agency notification memorandum.
Inspector General	2. Review and sign the agency notification memorandum.
Office Manager	3. Send the agency notification memorandum to the head of the agency.
Staff	4. File a copy of the agency notification memorandum in the project work papers.

Deliverable

Agency notification memorandum.

**MONTGOMERY COUNTY, MARYLAND
OFFICE OF INSPECTOR GENERAL**

Procedure No. 3

AGENCY NOTIFICATION

(sample deliverable)

MEMORANDUM

(Date)

TO: _____, Director
Department of _____

FROM: Norman D. Butts
Inspector General

SUBJECT: **Notification of Audit/Investigation** – _____

This is to inform you that our office plans to conduct an audit/investigation of _____ program administered by _____ of the Department of _____. The _____ program is listed on the current inspector general work plan. For your information we have enclosed a copy of that work plan and a copy of the legislation establishing the Office of Inspector General. In addition we have enclosed a Request for Information which we will talk more about at the entrance conference.

Laura Barretto from our office will contact you shortly to arrange a date, time, and place for the entrance conference so that we can discuss the upcoming audit/investigation with you and members of your staff. You should feel free to have anyone you would like present at the entrance conference. In addition to Ms. Barretto and me, Deputy Inspector General David Newcomer and Assistant Inspector General Mary Wengraf Meier will be present from our office. At the entrance conference we will explain the audit/investigative process and procedures, including the need for interviews, access to records, procedures regarding confidentiality, the agency's opportunity to review and make written comments before the report is released, and answer any questions you or your staff might have.

In the meantime if you have any questions or concerns, please do not hesitate to contact Ms. Barretto or me at 240.777.8240. I look forward to meeting with you at the entrance conference.

cc: Chief Administrative Officer

MONTGOMERY COUNTY, MARYLAND OFFICE OF INSPECTOR GENERAL

Procedure No. 4

REQUEST FOR INFORMATION

Purpose

To request information regarding the agency's organization, including:

- An organization chart and listing of key program personnel;
- Program brochures or descriptions which provide some background information and a history of the program under review;
- Copy of the program's written procedures; and
- Management reports, financial reports, and budget information on the program for the past several years as determined by the project scope.

Note: A request for information may not be initiated for an investigation.

Procedure

- | | |
|-------------------|---|
| Staff | 1. Prepare the request for information. |
| Inspector General | 2. Review and sign the request. |
| Office Manager | 3. Send the request for information to the agency. |
| Staff | 4. File a copy of the request the project work papers. |
| | 5. Follow up with the agency to make sure that the information requested is provided. |

Deliverable

Request for information.

**MONTGOMERY COUNTY, MARYLAND
OFFICE OF INSPECTOR GENERAL**

Procedure No. 4

REQUEST FOR INFORMATION

(sample deliverable)

**MONTGOMERY COUNTY, MARYLAND
OFFICE OF INSPECTOR GENERAL**

REQUEST FOR INFORMATION

(Date)

TO: _____

FROM: Norman D. Butts
Inspector General

This is a request for information pursuant to the Montgomery County Code § 2-151(l): *Access to Information*. Please provide the Office of Inspector General with a copy of the following by _____:

1. Any federal, state, county, private, or internal audit reports or management studies for the past five years on the subject of _____.
2. An organization chart and list of all _____ personnel with assigned positions of responsibility.
3. Present and proposed federal, state and county laws and regulations governing _____ (if these are voluminous, just an index and a statement as to where they may be found will be adequate).
4. Management policies, procedures, and guidelines for _____ (if these are voluminous, just an index and a statement as to where they may be found will be adequate).
5. Annual reports and agency strategic or business plans for the past five years.
6. Any contracts for services with private agencies or interagency agreements with other county agencies.
7. Names, addresses, and telephone numbers of members of all advisory or other committees or commissions associated with the agency.
8. Any program brochures or descriptions that provide background information or a history of the program.
9. Copies of all county and school attorney opinions affecting the agency or its programs.
10. Any other information that would be helpful in adding to an understanding of _____ issues.

**MONTGOMERY COUNTY, MARYLAND
OFFICE OF INSPECTOR GENERAL**

Procedure No. 5

COUNCIL AND EXECUTIVE NOTIFICATION

Purpose

To inform the members of the County Council and the County Executive that the Office of Inspector General is initiating an audit of a department, agency, or program and to determine if they have any interests or concerns about the subject.

Note: This notification is generally not provided for investigations.

Background

This inquiry is preparatory to the Office of Inspector General designing the scope of the project and is intended to ensure that the audit will consider suggestions from elected officials.

Procedure

Staff	1. Prepare memoranda to members of the County Council and the County Executive.
Inspector General	2. Review and sign the memoranda.
Office Manager	3. Send memoranda to Council and the Executive.
Staff	4. Within resource constraints, include areas of interest to members of County Council and the County Executive in audit plan.
Inspector General	5. Discuss with requesting individuals any areas of indicated interest not included in the audit plan.

Deliverable

Council and Executive notification.

MONTGOMERY COUNTY, MARYLAND
OFFICE OF INSPECTOR GENERAL

Procedure No. 5

COUNCIL AND EXECUTIVE NOTIFICATION

(Sample deliverable)

MEMORANDUM

(Date)

TO: _____,
Council President

FROM: Norman D. Butts
Inspector General

SUBJECT: Audit Notification – _____

This is to inform you that our office plans to conduct an audit of the _____ program administered by the Department of _____. If you have any particular concerns regarding this program please let us know at your earliest convenience and we will try to incorporate those concerns into our audit planning.

MONTGOMERY COUNTY, MARYLAND OFFICE OF INSPECTOR GENERAL

Procedure No. 6

ENTRANCE CONFERENCE

Purpose

To conduct an audit entrance conference with agency management to discuss project scope, objectives, and fieldwork arrangements.

Note: An entrance conference is generally not held for an investigation

Background

The audit entrance conference serves as the formal kick-off for the project. During the entrance conference the Inspector General will normally outline the project's scope, objectives, and process. The background and the expected benefits of the project will also be discussed, as well as any special fieldwork arrangements.

Procedure

Office Manager	1. Contact agency representatives to schedule the entrance conference.
Inspector General, IG Staff, Agency Personnel Staff	2. Conduct the entrance conference.
	3. Make sure that each entrance conference participant is listed in the attendance sheet, including title, department, and phone number.
	4. Prepare a work paper summarizing the discussions during the entrance conference. File the attendance sheet and the entrance conference summary memorandum in the project work papers.

Deliverable

Entrance conference summary memorandum.

MONTGOMERY COUNTY, MARYLAND OFFICE OF INSPECTOR GENERAL

Procedure No. 6

ENTRANCE CONFERENCE

(sample document)

MONTGOMERY COUNTY, MARYLAND OFFICE OF INSPECTOR GENERAL

POINTS TO COVER AT ENTRANCE CONFERENCE

1. County law requires the Office of Inspector General to develop a work plan. We have placed your program in our work plan and have decided to examine its efficiency, effectiveness, and operations. Let me briefly explain our process.
2. We begin by reviewing professional literature on the subject; conducting interviews and surveys as appropriate; and reviewing reports and other documentation we have received from you. We do all this in order to be better able to define the audit scope.
3. We then produce an audit plan identifying issues we want to look at in detail. During our fieldwork we may develop preliminary findings and recommendations. If we do, we will share them with you and ask you for a written response to each one.
4. Finally, we will produce a draft report. At this point we may have revised our findings and recommendations based upon your earlier responses or other evidence. If we make changes, you will be encouraged to revise your responses accordingly up to the end of the exit conference. Your involvement with the audit process generally ends with the exit conference.
5. You are strongly encouraged to submit a list of significant achievements and supporting documentation. If we can verify the achievements, we will include some or all in the report.
6. You should feel free to contact us at any time about any issue. At times we may not be around because of work needed on other projects.
7. Who is your appointed liaison? We will generally make our own appointments with your employees. We may need the liaison's help in coordinating some activities.
8. So we will not encounter any problems accessing files or scheduling interviews, please inform your staff that we are auditing the agency. Do you have any questions about our having access to all agency records and employees? Is there any information that should be held confidential by us?
9. If there are any problems you are currently working with, please let us know. It is to your advantage to be candid with us and advise us if you think we are on the wrong track or drawing the wrong conclusions.
10. We will try to minimize interference with your staff's time and be flexible and work around your schedules. However, when we request an interview, we expect to have it in a reasonable time. We may occasionally request verification of items in writing.

MONTGOMERY COUNTY, MARYLAND

OFFICE OF INSPECTOR GENERAL

Procedure No. 7

AGENCY SIGNIFICANT ACHIEVEMENTS

Purpose

To provide appropriate balance in the report by presenting agency accomplishments along with deficiencies.

Note: Significant achievements are generally not a part of an investigative report.

Background

Reporting standards require that staff reports noteworthy program accomplishments, particularly when management improvements in one area may be applicable elsewhere. The *Memorandum of Significant Achievements* ensures that such noteworthy program accomplishments are communicated to audit staff, verified as appropriate, and included in the report.

Procedure

Staff	1. Prepare a memorandum requesting auditee management provide a memorandum of significant achievements.
Office Manager	2. Send memorandum requesting significant achievements to agency head.
Agency Management	3. Prepare a memorandum of significant achievements and send the memorandum to the Inspector General.
Staff	4. File the memorandum of significant achievements in the project work papers.
	5. Summarize in the Background section of the report the noteworthy accomplishments of the program or agency being reviewed. Highlight management improvements that may be applicable to other County programs.

Deliverable

Significant achievements request memorandum.

**MONTGOMERY COUNTY, MARYLAND
OFFICE OF INSPECTOR GENERAL**

Procedure No. 7

AGENCY SIGNIFICANT ACHIEVEMENTS

(sample deliverable)

MEMORANDUM

(Date)

TO: _____

FROM: Norman D. Butts
Inspector General

SUBJECT: *Significant Achievements* – _____ Program

Generally accepted government auditing standards require noteworthy management accomplishments identified during the audit, that are within the scope of the audit, be considered for inclusion in the audit report. Therefore, at your earliest convenience please submit to us any information regarding significant achievements of the _____ program that you may wish to have considered for inclusion in the audit report. We will need to verify the accuracy of any information you submit before it is considered, so it is important for you to provide the information as soon as possible in order for us to have sufficient time for any necessary review.

If you have any questions or comments, please do not hesitate to contact our office at 240.777.8240.

**MONTGOMERY COUNTY, MARYLAND
OFFICE OF INSPECTOR GENERAL**

Procedure No. 8

MANAGEMENT CONTROLS REVIEW

Purpose

To identify and understand relevant management controls related to audit objectives; to assess the probability that material non-compliance and abuse could occur and not be prevented or detected in a timely manner; and to assess the extent of audit testing to be performed.

Background

Material non-compliance or abuse could occur and not be prevented or detected in a timely manner by the management controls in place. Audit risk is estimated by considering the potential threat confronted and the condition of management controls. For fraud, waste, abuse or other illegal acts to occur management controls must be absent, inadequate, or overridden. The auditors' assessment of risk includes consideration of whether the agency has management controls that are effective in preventing or detecting illegal acts. If auditors obtain sufficient evidence of the effectiveness of pertinent management controls, they can reduce the extent of compliance testing.

Procedure

Staff	1. Determine which components of management control need to be evaluated.
	2. Develop evaluation methodologies and instruments to perform the necessary reviews.
	3. Complete the management control review.
Inspector General	4. Review and approve the management controls examination.

Deliverable

Management Controls Review

**Montgomery County, Maryland
OFFICE OF INSPECTOR GENERAL**

Procedure No. 8

MANAGEMENT CONTROLS REVIEW

(see: Appendix A)

MONTGOMERY COUNTY, MARYLAND OFFICE OF INSPECTOR GENERAL

Procedure No. 9

PRELIMINARY SURVEY

Purpose

To gather and summarize historical, organizational, and financial information that will help familiarize audit staff with the subject, provide background data for the project report, facilitate subsequent risk assessment and testing procedures, identify threats facing the program or agency under review, and conceptualize the project and divide it among its components, preparatory to fieldwork.

Background

The preliminary survey involves assessing audit risk and planning the fieldwork phase of the project. During the preliminary survey, staff should:

- Consider significance and needs of potential users of the project report;
- Obtain an understanding of the program to be reviewed, including: information about the legal authority for the organization, program, activity or function; a brief history or profile of the program, its current mission and objectives; a summary of important facts, key personnel, contracts, facilities, locations, computer systems or databases, processes, and related laws and regulations; and a definition of any technical terms;
- Identify criteria needed to evaluate matters subject to review;
- Identify significant findings and recommendations from previous reports that could affect current audit objectives;
- Identify potential sources of data that could be used as evidence and consider the validity and reliability of these data;
- Consider whether the work of other auditors and experts may be used to satisfy some of the project 's objectives; and
- Consider any risk to major project areas.

**MONTGOMERY COUNTY, MARYLAND
OFFICE OF INSPECTOR GENERAL**

Procedure No. 9

PRELIMINARY SURVEY

(Continued)

Procedure

Staff	<ol style="list-style-type: none">1. Review and examine the project from as many perspectives as possible; brain-storm to develop different approaches to the project.2. Upon completion of the preliminary survey fieldwork, prepare a <u>Preliminary Survey Memorandum</u>.3. Prepare Preliminary Finding Worksheets as appropriate.4. Submit the Preliminary Finding Worksheets to the inspector general.5. At the next project staff meeting, discuss the preliminary findings, or the lack thereof, with the inspector general to assess whether to revise or expand the project scope, or to discontinue the project.
Inspector General	<ol style="list-style-type: none">6. Review and approve the <u>Preliminary Survey Memorandum</u> and any Preliminary Finding Worksheets.7. Determine the need for an in-house specialist or an outside consultant to provide technical assistance in specialized areas.
Staff	<ol style="list-style-type: none">8. File the <u>Preliminary Survey Memorandum</u> and any Preliminary Finding Worksheets in the project work papers.

Deliverable

Preliminary Survey Memorandum

**MONTGOMERY COUNTY, MARYLAND
OFFICE OF INSPECTOR GENERAL**

Procedure No. 10

AUDIT/INVESTIGATION PLAN

Purpose

To develop an audit/investigation plan to determine if the controls or procedures the audited entity has in place to prevent, eliminate, or minimize identified threats are working.

Background

This procedure provides guidance in the preparation of the audit/investigation plan. As the project progresses, staff should document in the plan the key decisions about project objectives, scope, and methodology, as well as the basis for those decisions. Project progress should be documented to reflect any significant changes to the plan and the results of the completed project procedures.

The Audit/Investigation Plan should include the following elements:

- Audit/Investigation objectives, scope, and methodology;
- Criteria for assessing program performance (where applicable);
- Tests to assess compliance with laws and regulations;
- Tests of management controls;
- Tests to determine audit risk and the risk that abuse and illegal acts could occur, and to provide reasonable assurance of detecting abuse or illegal acts;
- An assessment that computer data are relevant and reliable (where applicable);
- Other procedures and tests as appropriate.

Procedure

Staff	1. Prepare a written audit/investigation plan.
	2. Modify the plan as necessary to accommodate the needs of the current audit assignment.
Inspector General	3. Review and approve the plan.
Staff	4. File the plan in the work papers.
	5. As the project progresses, update the plan as necessary.

Deliverable

Audit/investigation plan.

**MONTGOMERY COUNTY, MARYLAND
OFFICE OF INSPECTOR GENERAL**

Procedure No. 11

AUDIT/INVESTIGATION TIME BUDGET

Purpose

To provide guidelines for preparing the audit/investigation time budget.

Background

To ensure the timely completion of project assignments, the inspector general requires that staff prepare a project time budget for each assignment. Staff determines the time required to complete the project procedures approved by the inspector general. Every two weeks, the office manager should update the budget to compare the actual hours with the original approved budget.

Procedure

Staff	1. Prepare a project time budget, indicating the proposed hours for each objective or sub-objective.
Inspector General	2. Review and approve the project time budget.
Staff	3. File the project time budget in the project work papers.
Office Manager	4. Every two weeks, update the budget to compare the actual hours with the original approved budget.

Deliverable

Time budget.

**Montgomery County, Maryland
OFFICE OF INSPECTOR GENERAL**

Procedure No. 12

AUDIT/INVESTIGATION FIELDWORK

Purpose

To ensure that sufficient, competent, and relevant evidence is obtained to afford a reasonable basis for findings and conclusions.

Background

During fieldwork, staff measures representative transactions or processes and compares the results with determined criteria. The work during this phase produces audit evidence upon which to formulate findings, conclusions, and recommendations.

Procedure

Staff	<ol style="list-style-type: none">1. Conduct the tests and other procedures determined under the audit/investigation plan. Make sure the evidence obtained is sufficient, relevant, competent, and useful.2. If computer-processed data are an important or integral part of the project and the data's reliability is crucial to accomplishing the project's objectives, staff should make sure the data are relevant and reliable.3. Document all work. If computer files are too large to print, document at least a description of each file. Make sure weekly back-up files are made and secured.4. File all documents pertaining to the project in the project work papers. Promptly label and number all work papers.
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Deliverable

Audit/investigation work papers.

MONTGOMERY COUNTY, MARYLAND OFFICE OF INSPECTOR GENERAL

Procedure No. 13

PRELIMINARY FINDING WORKSHEETS

Purpose

To ensure that project findings include sufficient, competent, and relevant information to promote adequate understanding of the matters reported and to provide convincing but fair presentations in proper perspective.

Background

The five elements of a finding are:

1. Condition (The existing situation, and whether isolated or widespread);
2. Criteria (What should be?);
3. Cause (Who? Why?);
4. Effect (In terms of cost, adverse performance, or other factors – none, small, or large? What is the impact in services, dollars, or people?);
5. Recommendation (What should be done? Who should do it? When should it be done?)

Procedure

Staff	1. As the audit/investigation progresses, prepare Preliminary Finding Worksheets.
	2. At the end of fieldwork, complete all the elements of each Preliminary Finding Worksheet. Include appropriate background information that readers need to understand the findings.
	3. Submit the worksheets to the Inspector General.
Inspector General	4. Review and approve the worksheets.
Staff	5. Send Preliminary Finding Worksheets to agency for review and written response.
	6. Label, number, and file the worksheets and agency responses in the project work papers.

Deliverable

Preliminary finding worksheets and agency responses.

**MONTGOMERY COUNTY, MARYLAND
OFFICE OF INSPECTOR GENERAL**

Procedure No. 13

PRELIMINARY FINDING WORKSHEETS

(sample form)

MONTGOMERY COUNTY, MARYLAND OFFICE OF INSPECTOR GENERAL	
<u>PRELIMINARY FINDING WORKSHEET</u>	
Audit: _____	Finding Number: _____
Finding Title: _____	
Auditor Initials & Date: _____ I.G. Initials & Date: _____	
Condition: (What is.)	
[to be completed by the auditor/investigator]	
Proof & Evidence: (Quantify to extent possible.)	
[to be completed by the auditor/investigator]	
Criteria: (What should be.)	
[to be completed by the auditor/investigator]	
Cause: (Why did it happen?)	
[to be completed by the auditor/investigator]	
Effect: (So what?)	
[to be completed by the auditor/investigator]	
Recommendation: (What should be done?)	
[to be completed by the auditor/investigator]	

MONTGOMERY COUNTY, MARYLAND

OFFICE OF INSPECTOR GENERAL

Procedure No. 14

WORK PAPER REVIEW

Purpose

To ensure that work papers are properly prepared and provide adequate support of the work performed and the evidence gathered during the project

Background

The inspector general reviews the work papers for form and content, ensuring that the evidence reflected in the work papers is sufficient, competent, and relevant. Evidence is sufficient if there is enough of it to support the findings. Evidence used to support a finding is relevant if it has a logical, sensible relationship to that finding. Evidence is competent to the extent that it is consistent with fact. The inspector general is also responsible for ensuring that the Quality Assurance Review is performed on time and adequately documented.

Procedure

Staff	1. At the conclusion of fieldwork, complete the work papers. 2. Schedule a work paper review meeting with the inspector general.
Inspector General	3. Review the work papers for form and content. 4. Provide staff with W/P review notes listing comments and questions regarding work papers.
Staff	5. Respond in the space provided on W/P review notes to the inspector general's comments and questions.
Inspector General	6. Review staff responses to W/P review notes. Make sure all comments or questions are resolved. File supervisory review certification in work papers.

Deliverable

Work paper review notes.

**MONTGOMERY COUNTY, MARYLAND
OFFICE OF INSPECTOR GENERAL**

Procedure No. 14

WORK PAPER REVIEW

(sample form)

**MONTGOMERY COUNTY
OFFICE OF INSPECTOR GENERAL**

Work Paper Review Notes

Audit: _____
Section Reviewed: _____

Prepared by: _____
Date: _____

[illegible]

MONTGOMERY COUNTY, MARYLAND

OFFICE OF INSPECTOR GENERAL

Procedure No. 15

INITIAL DRAFT REPORT

Purpose

To provide guidelines to staff in writing the initial draft report.

Background

In writing the report draft, staff uses the evidence reported in the work papers. Staff should report conclusions when called for by the audit/investigation objectives. Conclusions are logical inferences about the program based on the findings. Conclusions should be specified and not left to be inferred by readers. The strength of the conclusions depends on the persuasiveness of the evidence supporting the findings and the logic used to formulate the conclusions.

Procedure

Staff	1. Write the report draft.
	2. Indicate the work paper references on the margin of the report draft.
	3. Submit the completed report draft with the work paper references to the inspector general.
Inspector General	4. Review the report draft and note any corrections on the report draft.
	5. Determine whether the draft report (or sections thereof) should be referred to the county attorney for legal review.
Staff	6. Make the report draft changes approved by the inspector general.
	7. File the report draft, including the corrections approved by the inspector general, in the project work papers.

Deliverable

Initial draft report.

**MONTGOMERY COUNTY, MARYLAND
OFFICE OF INSPECTOR GENERAL**

Procedure No. 16

DRAFT REPORT TO AGENCY

Purpose

To provide the audited or investigated agency the opportunity to review the report draft.

Background

The report draft submitted to the agency should be as complete as possible, with all the statements of facts, opinions, and conclusions referenced and verified.

Procedure

Staff	1. Make sure all questions and comments from the inspector general have been resolved and documented.
	2. Make sure all report draft changes have been approved by the inspector general and incorporated in the report draft.
Office Manager	3. Make sure the report draft distribution list is complete.
	4. Finalize and distribute the report draft.
Staff	5. File the report draft in the work papers.

Deliverable

Draft report sent to agency.

MONTGOMERY COUNTY, MARYLAND

OFFICE OF INSPECTOR GENERAL

Procedure No. 17

EXIT CONFERENCE

Purpose

To provide responsible officials of the audited or investigated program the opportunity to state their views concerning the report's findings, conclusions, and recommendations, as well as corrections planned.

Background

To ensure that the report is fair, complete, and objective, the inspector general provides the agency a report draft and invites agency representatives to the exit conference at which time agency representatives can state their views concerning the report's findings, conclusions, and recommendations. At this meeting, agency representatives will also explain the corrective actions they plan in response to the findings and recommendations.

Procedure

Office Manager	1. Schedule the exit conference.
Inspector General, Staff, Agency Representatives	2. Hold the exit conference. Give agency representatives an opportunity to state their views concerning the report's findings, conclusions, and recommendations, as well as corrective actions planned.
Staff	3. Summarize the discussions at the Exit Conference.
Inspector General and Staff	4. Make the agreed-upon changes, if any, to the report.
Staff	5. Prepare additional work papers as necessary to document report changes.
	6. File all approved report changes, Exit Conference summary, and revised report draft in the work papers.

Deliverable

Exit conference memorandum.

MONTGOMERY COUNTY, MARYLAND

OFFICE OF INSPECTOR GENERAL

Procedure No. 18

FINAL REPORT

Purpose

To make sure the report is complete, including the agency response and the inspector general's rebuttal, if applicable, and distributed to all parties concerned, as required by Government Auditing Standards.

Background

According to Government Auditing Standards, "Written audit reports are to be submitted by the audit organization to the appropriate officials of the auditee and to the appropriate officials of the organizations requiring or arranging for the audits, including external funding organizations, unless legal restrictions prevent it. Copies of the report should also be sent to other officials who have legal oversight authority or who may be responsible for acting on audit findings and recommendations and to others authorized to receive such reports. Unless restricted by law or regulation, copies should be made available for public inspection."

Procedure

Staff	1. Make sure the report is complete, including the agency response and the inspector general's rebuttal, if applicable.
Office Manager	2. Make sure the report distribution list is complete. 3. Arrange for final proofreading. 4. Print and bind the report. 5. Schedule the submission of the report to the County Council and County Executive.
Inspector General	6. Prepare summaries, charts, and other audio-visual materials for presentation. 7. Make sufficient copies of the report to fill requests from the public. 8. Present the report to County Council, the County Executive, the media, and public as appropriate.

Deliverable

Final report.

**MONTGOMERY COUNTY, MARYLAND
OFFICE OF INSPECTOR GENERAL**

Procedure No. 19

QUALITY ASSURANCE REVIEW

Purpose

To ensure that the audit complies with Government Auditing Standards.

Background

The Quality Assurance Review occurs at the end of the report writing phase. The intent of the review is to make sure staff has complied with the applicable General Standards, Fieldwork Standards, and Reporting Standards.

Procedure

Staff	1. Complete the Quality Assurance Review.
	2. Refer any unresolved items to the inspector general.
Inspector General	3. Decide any unresolved issues and complete last section.
Staff	4. File the Quality Assurance Review in the work papers.

Deliverable

Quality Assurance Review (See: Appendix B)

**MONTGOMERY COUNTY, MARYLAND
OFFICE OF INSPECTOR GENERAL**

Procedure No. 20

STAFF EVALUATIONS

Purpose

To provide feedback to the staff regarding their performance during the project and to help the individual employee work closer to his or her potential.

Background

At the completion of the project, the Inspector General should complete a performance evaluation for each of the staff.

Procedure

Inspector General	1. Complete a performance evaluation for each of the project staff.
Inspector General and Staff	2. Meet separately with each member of the team to discuss the employee’s performance during the project.

Deliverable

Staff evaluations.

APPENDIX A

**MONTGOMERY COUNTY, MARYLAND
OFFICE OF INSPECTOR GENERAL**

MANAGEMENT CONTROLS REVIEW

**MONTGOMERY COUNTY, MARYLAND
OFFICE OF INSPECTOR GENERAL**

MANAGEMENT CONTROLS REVIEW

INTRODUCTION

The OIG management controls review is a ten-step, two-part process. The first part of the review is a five-step process designed to assess risk exposure. The second part is a five-step process designed to assess the management control systems. At the conclusion of the review OIG auditors make a determination about the extensiveness of any required audit testing.

DEFINITION

OIG defines management controls as the organization, policies, and procedures used by management to reasonably ensure all of the following:

1. Programs achieve their intended results.
2. Resources are used consistent with the program's mission.
3. Programs and resources are protected from waste, fraud, and mismanagement.
4. Laws and regulations are followed.
5. Reliable and timely information is obtained, maintained, reported, and used for decision making.

APPLICABLE STANDARDS

Standards relating to management control include government auditing standards and management control standards. For all audits government auditing standards require due professional care. For performance audits the standards require an assessment of applicable management controls when necessary to satisfy audit objectives. Management control standards include general standards, specific standards, and an audit resolution standard.

General standards require the following:

1. Reasonable assurance: Management control systems are to provide reasonable assurance that the objectives of the systems will be accomplished.
2. Supportive attitude: Managers and employees are to maintain and demonstrate a positive and supportive attitude toward management controls at all times.
3. Competent personnel: Managers and employees are to have personal and professional integrity and are to maintain a level of competence that allows them

to accomplish their assigned duties, as well as understanding the importance of developing and implementing good management controls.

4. Control objectives: Management objectives are to be identified or developed for each agency activity and are to be logical, applicable, and reasonably complete.
5. Control techniques: Management control techniques are to be effective and efficient in accomplishing their control objectives.

Specific standards require the following:

1. Documentation: Management control systems and all transactions and other significant events are to be clearly documented, and the documentation is to be readily available for examination.
2. Recording of transactions and events: Transactions and other significant events are to be promptly recorded and properly classified.
3. Execution of transactions and events: Transactions and other significant events are to be authorized and executed only by persons acting within the scope of their authority.
4. Separation of duties: Key duties and responsibilities in authorizing, processing, recording, and reviewing transactions should be separated among individuals.
5. Supervision: Qualified and continuous supervision is to be provided to ensure that management control objectives are met.
6. Access to and accountability for resources: Access to resources and records is to be limited to authorized individuals, and accountability for the custody and use of resources is to be assigned and maintained. Periodic comparison shall be made of the resources with the recorded accountability to determine whether the two agree. The frequency of the comparison shall be a function of the vulnerability of the asset.

The audit resolution standard requires auditee management to promptly resolve all audit findings. Managers are required to do the following:

1. Evaluate findings and recommendations reported by auditors.
2. Determine proper actions in response to audit findings and recommendations.
3. Complete, within established timeframes, all actions that correct or otherwise resolve the matters brought to management's attention.

Part I.

ASSESSING RISK EXPOSURE

There are five steps OIG uses in determining risk exposure: (1) determine significance and sensitivity; (2) evaluate the susceptibility of failure to attain program goals, non-compliance with laws and regulations, inaccurate reporting, or illegal or inappropriate use of assets or resources; (3) be alert to any “red flags;” (4) consider management’s support; and (5) consider the competency of personnel.

Significance and Sensitivity

Significance refers to the importance of items, events, information, matters, or problems. Frequently significance can be assessed in terms of dollars. In other instances where public safety is an issue, it requires more subjective auditor judgment.

Sensitivity refers to the likely perception and emotional response by others to the conditions or circumstances. Determining sensitivity requires auditor judgment based on the circumstances in each case. Some issues likely to be judged “sensitive” include:

1. Issues that have received media coverage.
2. Issues that have been the subject of county council interest and inquiry.
3. Issues that have been the subject of stakeholder interest and inquiry.
4. Issues involving the mistreatment of children, the elderly, or similar constituent groups.
5. Issues involving environmental contamination or pollution.

A high degree of risk exposure may be indicated by either the significance or the sensitivity of the subject matter under review, or matters may be both significant and sensitive.

Susceptibility

Susceptibility refers to the propensity for misuse of resources, failure to achieve program objectives, non-compliance with laws, regulations, and management policies. Auditors should formulate questions to assess susceptibility, based on the inherent nature of the subject being audited, and should maintain an attitude of skepticism. Some questions OIG auditors use to assess susceptibility are as follows:

1. Does the activity under audit involve liquid assets that are readily marketable (e.g., cash or securities) or could be misappropriated for personal use (e.g., tools, cars, auto repair parts, or computers)?
2. Do the incentives to make false representations or claims outweigh the penalties?

3. Are the requirements imposed on program participants reasonable, or are they so complicated and cumbersome that failure to comply can be expected?
4. Does the activity have numerous transactions?
5. Have important activities or programs been contracted out or delegated to persons outside the government without an adequate control system?
6. Are significant benefits of county programs extended to individuals or corporations by county officials whose actions are generally not subject to public examination?
7. Is the activity connected with a program designated as a “high-risk” area by the GAO or federal OMB?
8. Have previous audits, consultant studies, or other reports included material management control weaknesses pertaining to the activity?

“Red Flags”

OIG auditors are always alert for and consider “red flags” including, but not limited to, the following:

1. A prior history of improper program administration (e.g., agency officials convicted of bribery or other corrupt acts; removed from office for incompetence);
2. A history of material weaknesses described in prior audits or other similar reports;
3. Agency officials obtaining financial or other benefits on the basis of decisions made or actions taken in an official capacity;
4. Awarding of grants or contracts by high ranking officials; inadequate review of such transactions;
5. Poorly defined and documented management control procedures;
6. Recognition by agency officials or internal auditors that the agency’s automated systems are antiquated, poorly designed, or fail to meet user needs;
7. Lack of, or an ineffective, internal audit function;
8. Complex transactions;

9. Lack of specific performance measures for the program or activity, thereby making accountability for results difficult or impossible to measure;
10. High asset write-offs, loss of sensitive items, poor inventory controls, physical inventories not performed, inadequate reconciliation and resolution of major discrepancies, and the like;
11. Management inability to correctly establish priorities;
12. Activities dominated and controlled by a single person or small group;
13. High personnel turnover in key occupations; and
14. Unreasonable explanations by auditee.

Management Support

It is important for auditors to consider whether management recognizes the importance of and has made a commitment to implement management controls. To assess management support OIG auditors ask the following questions:

1. Has management set the right “tone at the top” by clearly stating, in writing, its expectations for integrity, honesty, and impartiality?
2. Has management prescribed behavior standards, including a code of conduct, and conflict of interest regulations?
3. Does management support and comply with its written expectations, or is there a prevalent environment in which management ignores the standards that apply to others?
4. Is there a strong internal audit organization?
5. Does management promptly respond when control problems are first identified, or have control problems been repeatedly disclosed in prior audits or other similar reports?
6. Is management willing to discuss its approach toward controlling assets and activities?
7. Is management knowledgeable of the subject area and potential problems?

Competence of Personnel

Managers and employees of the entity being audited should have personal and professional integrity and should maintain a level of competence that allows them to accomplish their

duties, as well as understand the importance of developing and implementing good management controls.

1. Is there a stable management team with continuity and a good reputation?
2. Are employees periodically reminded of their responsibilities under the code of conduct?
3. Are employees' financial holdings periodically reviewed?
4. Have technical skill requirements been prescribed?
5. Are the technical skills based upon appropriate criteria and in accordance with normal requirements of the particular occupation?
6. Are there a sufficient number of employees to accomplish tasks?
7. Do hiring and staffing decisions include verification of education and experience?
8. Are employees provided needed formal and on-the-job training?

Conclusion

When the auditor is finished with this part of the assessment, he or she should summarize risk exposure as either: high, moderate or low and the reasons for such a conclusion.

Part II.

ASSESSING MANAGEMENT CONTROL SYSTEMS

After assessing risk exposure, a management control assessment is necessary to assure that the auditor's work will meet audit objectives and enable the audit report to present results in a balanced perspective. An individual transaction or event might be atypical. A control assessment gives evidence whether all transactions and events are likely to be handled in the same manner.

There are five steps in assessing management control: (1) identify and understand relevant management control(s); (2) determine what is already known about control effectiveness; (3) assess adequacy of control design; (4) determine if controls are properly implemented; and (5) determine if transactions or events are properly documented.

Identifying Controls

Management controls consist of the following:

1. Control objectives. These are the positive effects that management tries to attain or an adverse condition (negative effect) that management is seeking to avoid.
2. Control procedures. These are specific steps established by management to provide reasonable assurance that control objectives are achieved.
3. Information system. This includes the methods and records used to identify, assemble, analyze, classify, record, and report transactions and events and maintain accountability for assets, liabilities, revenues, expenditures, and other important information.
4. Monitoring system. This includes management's methods for following up and checking on performance to ensure that control and information procedures are complied with.

Known Control Effectiveness

After identifying and understanding the controls relevant to the audit's objectives, auditors should consider what, if anything, is already known about control effectiveness. Other audits or similar reports may include helpful information for assessing control effectiveness. If an assessment was made recently by another audit organization, the auditor should consider how recent and thorough the assessment was, as well as the organization's reputation, qualifications, and independence.

Assessing Control Design

Considering the information developed during the assessment of risk exposure and on the basis of skepticism, the auditor should project what is most likely to go wrong. Then the controls should be examined to determine if they are logical, reasonably complete, and likely to detect misuse, failure, or errors.

Are Controls Implemented?

Even though management controls may be logical and well-designed and may be seemingly strong, system effectiveness may be impaired if control procedures are not correctly and consistently used. Control procedures may not be complied with because management may override them; employees may be secretly working together (collusion) to avoid using them or to circumvent them; and employees may not be correctly applying them due to fatigue, boredom, inattention, lack of knowledge, or misunderstanding.

Sufficient testing should be conducted to afford a reasonable basis for determining whether the controls are consistently applied.

Proper Transaction Documentation

All transactions and events should be clearly documented, and documentation should be readily available for examination. To assess management's documentation efforts management, auditors should ask the following questions:

1. Are management control objectives and procedures formalized in writing?
2. Have policies and procedures been systematically documented, including policies and procedures manuals or guides, personnel manuals, organization charts, flowcharts, or other written descriptions?
3. Are all transactions and events adequately documented and is the documentation readily available for examination?
4. Are financial transactions consistent with budget data?

When the auditor is finished assessing the effectiveness of management controls, he or she should summarize control effectiveness as either: weak, adequate, or strong and the reasons for such a conclusion. Audit testing should be designed considering audit objectives, risk exposure, and management control strengths and weaknesses. The following table is helpful in analyzing the extent of audit testing.

Risk Exposure	Management Control Effectiveness	Extensiveness of Audit Tests
High	Weak Adequate Strong	High Moderate to High Low to Moderate
Moderate	Weak Adequate Strong	Moderate to High Moderate Low
Low	Weak Adequate Strong	Low to Moderate Low Very Low

REPORTING ON MANAGEMENT CONTROL ASSESSMENTS

The audit report should identify significant management controls that were assessed, the scope of the auditor's' assessment work and any significant weaknesses found during the audit. Significant weaknesses in management controls may be identified as a key source of deficient performance.

SUGGESTED METHODOLOGIES

Suggested methodologies to be used for completing the management controls review include auditor observations, interviews of agency management, surveys of agency employees, or other appropriate means.

The following Management Controls Assessment used by OIG is adapted from one used by the Internal Audit Department, Stanford University. It was originally designed by KPMG Peat Marwick. The assessment can be given to auditee employees at various levels (i.e., senior management, middle management, technical, clerical, trades, etc.). At the conclusion of the planning phase appropriate OIG auditors also complete the assessment. OIG compiles the information and is able to “score” the auditee’s management control environment by individual components and overall. This scoring is helpful in identifying control weaknesses demanding further OIG analysis.

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MONTGOMERY COUNTY, MARYLAND
OFFICE OF INSPECTOR GENERAL

Management Controls Assessment

Management establishes controls to keep the organization on course toward its financial goals, to help it achieve its mission, to minimize surprises and risks, and to allow the organization to rapidly deal with changes. The Committee of Sponsoring Organizations of the Treadway Commission ("COSO") defined **management controls** as follows:

"Activities undertaken by management to increase the likelihood of achieving management objectives in the following areas:

- **Efficiency and effectiveness of operations**
- **Reliability of financial reporting**
- **Compliance with laws and regulations."**

While management is ultimately responsible for its system of management controls, virtually all employees have some role in controlling the organization. Some management controls are established at the sub-organization level, others are established by agency management. To facilitate management's analysis of control we provide the following list of management control factors. This list is patterned after a management control environment worksheet initially prepared by KPMG Peat Marwick. Examples which indicate stronger controls as well as those indicating weaker controls are provided for each factor. The list is organized in sections reflecting the five interrelated components of management control defined by COSO:

1. Control Environment
2. Risk Assessment
3. Control Activities
4. Information and Communication
5. Monitoring

Use this list of control factors to determine the agency's management control health. A higher rating for a factor indicates a strong environment with minimal risk, whereas a lower rating indicates a weaker environment and higher risk. Rate each factor between 1 (weak) and 5 (strong).

SUMMARY OF MANAGEMENT CONTROL FACTORS

The Management Controls Assessment is organized as follows:

Control Environment

1. Integrity and Ethical Values
2. Commitment to Competence
3. Management's Philosophy and Operating Style
4. Organizational Structure
5. Assignment of Authority and Responsibility
6. Human Resource Policies and Practices

Risk Assessment

7. Goals and Objectives
8. Risks
9. Managing Change

Control Activities

10. Policies and Procedures
11. Controls
12. Controls over Information Systems

Information and Communication

13. Access to Information
14. Communication

Monitoring

15. Management Supervision
16. Outside Sources
17. Response Mechanisms
18. Self-Assessment Mechanisms

COMPONENT 1 - CONTROL ENVIRONMENT

1 - Integrity and Ethical Values

Description of Factor	Indication of Stronger Controls	Indication of Weaker Controls	Assessment of Factor				
			Strong - Weak				
			5	4	3	2	1
1.1-Acceptable business practices.	Employees understand the County's policies covering matters such as illegal acts or questionable payments.	Policies are poorly understood.					
1.2-Codes of conduct.	Employees understand the County's policies governing relationships with sponsors, suppliers, creditors, regulators, the community, and the public at large.	Policies are poorly understood.					
1.3-Conflicts of interest.	Employees understand the County's policies regarding potential conflicts of interest (e.g., outside business investments and interests and employment of relatives of employees).	Policies are poorly understood.					
1.4-Integrity.	Management communicates high expectations regarding integrity and ethical values. Management sets a good example.	Management sets neither an example nor expectations regarding integrity and ethical values.					

Sec. 1 - Comments:

2 - Commitment to Competence

Description of Factor	Indication of Stronger Controls	Indication of Weaker Controls	Assessment of Factor				
			Strong - Weak				
			5	4	3	2	1
2.1-Job descriptions.	Responsibilities are clearly defined in writing and communicated as appropriate.	Responsibilities are poorly defined or poorly communicated.					
2.2-Knowledge and Skills.	Management understands the knowledge and skills required to accomplish tasks.	Management has not considered knowledge and skill requirements.					
2.3-Employee competency.	Management is aware of employee's competency levels. Management is involved in training and increased supervision when competency is low.	Management has not considered the competency of the employees.					

Sec. 2 - Comments:

3 - Management's Philosophy and Operating Style

Description of Factor	Indication of Stronger Controls	Indication of Weaker Controls	Assessment of Factor				
			Strong - Weak				
			5	4	3	2	1
3.1-Communication to employees, vendors, and the public.	Management insists on full disclosures.	Management is secretive and reluctant to make full disclosures.					
3.2-Laws and regulations.	There is a concern for compliance with the letter and intent.	Management is willing to risk noncompliance penalties.					
3.3-Getting the job done.	Management is concerned with doing the job right the first time.	Management is willing to get the job done without regard to quality.					
3.4-Exceptions to policy.	Exceptions to policy are infrequent. When they occur they must be approved and well documented.	Exceptions to policy are the norm.					
3.5-Approach to financial reporting.	The approach shows a concern and appreciation for accurate and timely reporting. Financial reporting estimates are conservative.	Financial reporting is given low priority.					
3.6-Emphasis on meeting budget and other financial and operating goals.	Results are actively monitored and followed up. Corrective action is taken as necessary. We learn from our mistakes.	Management is unwilling to accept results other than those projected or planned, therefore there is fear of failure.					
3.7-Approach to decision making.	Process is both formal and consistent. Decisions are based on logic after careful consideration of relevant facts. Procedures and policies are in place to ensure the appropriate level of management is involved in decisions.	Decision making is not formal. Management makes decisions with little study and analysis of the facts.					

Sec. 3 - Comments:

4 - Organizational Structure					
Description of Factor	Indication of Stronger Controls	Indication of Weaker Controls	Assessment of Factor		
			Strong - Weak		
			5	4	3 2 1
4.1-Complexity of the organizational structure.	The complexity of the structure is commensurate with the organization. Lines of reporting are clear and documentation is up-to-date.	The organizational structure is "muddled" or unnecessarily complex for the size and activities of the entity.			
4.2-Organization charts.	Documentation exists and is up to date.	Documentation does not exist or is out-of-date.			
4.3-Size of the management group.	Size is commensurate with the complexity of the agency and its growth.	Size is not appropriate (e.g., too many levels, too disbursed, or too "thin").			
4.4-Stability of the management group.	Turnover is low.	Turnover is high.			

Sec. 4 - Comments:

5 - Assignment of Authority and Responsibility					
Description of Factor	Indication of Stronger Controls	Indication of Weaker Controls	Assessment of Factor		
			Strong - Weak		
			5	4	3 2 1
5.1-Delegation of authority and assignment of responsibility for operational and financial decisions.	Delegation of authority and assignment of responsibility is clearly defined. Individuals are held accountable for results.	Decisions are dominated by one or a few individuals. Roles and responsibilities of middle management are unclear.			
5.2-Authority limits.	Authority limits are clearly defined in writing and communicated as appropriate.	Policies and procedures covering authority limits are informal or poorly communicated.			
5.3-Delegated signature authority.	Appropriate limits have been placed on each delegation of signature authority. Management periodically reviews the list of all approvers to ensure it is appropriate and up to date.	Signature authority is delegated without adequate consideration. The agency never reviews the list of designated approvers for its accounts.			

5.4-Knowledge and experience.	Key personnel are knowledgeable and experienced. Management does not delegate authority to inexperienced individuals.	Key personnel are inexperienced. Management delegates authority without regard to knowledge and experience.					
5.5-Resources.	Management provides the resources needed for employees to carry out their duties.	Management does not provide necessary resources.					

Sec. 5 - Comments:

6 - Human Resource Policies and Practices							
Description of Factor	Indication of Stronger Controls	Indication of Weaker Controls	Assessment of Factor				
			Strong - Weak				
			5	4	3	2	1
6.1-Selection of personnel.	A formal hiring process is in place. The personnel department is involved in identifying potential employees based on job requirements.	Formal hiring process does not exist.					
6.2-Training.	On-the-job and other training programs have defined objectives. They are effective and important.	Training programs are inconsistent, ineffective, or of low priority.					
6.3-Supervision policies.	Personnel are adequately supervised. They have a regular resource for resolving problems.	Regular supervision does not exist or is ineffective.					
6.4-Inappropriate behavior.	Inappropriate behavior is consistently reprimanded in a timely and direct manner, regardless of the individual's position or status.	Inappropriate behavior of certain individuals is ignored. Reprimands are neither timely nor direct.					
6.5-Evaluation of personnel.	An organized evaluation process exists.	Evaluation process is ad hoc and inconsistent; actual performance has little consequence.					
6.6-Methods to compensate personnel.	A formal compensation process exists. Its relationship to the performance evaluation process is defined and communicated.	Compensation adjustments are ad hoc and inconsistent.					

6.7-Staffing of critical functions.	Critical functions are adequately staffed such that workloads are reasonable and acceptable.	There is inadequate staffing and frequent periods of overwork and "organizational stress."					
6.8-Turnover. Particularly turnover in financially responsible positions.	Low levels of turnover. Management understands the root cause of turnover.	High levels of turnover. Management does not understand the root cause of turnover.					

Sec. 6 - Comments:

COMPONENT 2 - RISK ASSESSMENT							
7 - Goals and Objectives							
Description of Factor	Indication of Stronger Controls	Indication of Weaker Controls	Assessment of Factor				
			Strong - Weak				
			5	4	3	2	1
7.1-Agency-wide objectives.	Formal agency-wide mission or value statement established and communicated throughout the agency.	Agency-wide mission or value statement is nonexistent.					
7.2-Critical success factors.	Factors that are critical to achievement of agency-wide objectives are identified. Resources are appropriately allocated between critical success factors and objectives of lesser importance.	Factors are not prioritized or not identified.					
7.3-Activity-level objectives.	Realistic objectives are established for all key activities including operations, financial reporting and compliance considerations.	Activity-level objectives are nonexistent.					
7.4-Measurement of objectives.	Agency-wide and activity level objectives include measurement criteria and are periodically evaluated.	Objectives are not measured, targets are not set.					
7.5-Employee involvement.	Employees of all levels are represented in establishing the objectives.	Management dictates the objectives.					
7.6-Long- and short-range planning functions.	Long- and short-range plans are developed and are generally formal. Changes in direction are made only after sufficient study is performed.	No organized planning process exists. There are frequent shifts in direction or emphasis.					

7.7-Budgeting system.	Detailed budgets are developed by area of responsibility following prescribed procedures and realistic expectations. Plans and budgets support achievement of agency-wide action steps.	Budgets are nonexistent or are "backed into" depending on desired outcome.					
7.8-Strategic planning for information systems.	Planning for future needs is done well in advance of expected needs and considers various scenarios.	The information system lags significantly behind the needs of the business.					

Sec. 7 - Comments:

8 - Risks							
Description of Factor	Indication of Stronger Controls	Indication of Weaker Controls	Assessment of Factor				
			Strong - Weak				
			5	4	3	2	1
8.1-Identification and consideration of external risk factors.	A process exists to identify and consider the implications of external risk factors (e.g., economic changes, changing stakeholder needs or expectations, new or changed legislation or regulations, technological developments and natural catastrophes) concurrent with establishing agency-wide objectives and plans.	Potential or actual external risk factors are not identified or evaluated effectively.					
8.2-Identification and consideration of internal risk factors.	A process exists to identify and consider the implications of internal risk factors (e.g., new personnel, new information systems, changes in management responsibilities, new or changed educational or research programs and agency morale) concurrent with establishing agency-wide objectives and plans.	Potential or actual internal risk factors are not identified or evaluated effectively.					

8.3-Prioritization of risks.	The likelihood of occurrence and potential monetary impact (or publicity risk) have been evaluated. Risks have been categorized as tolerable or requiring action.	Risks have not been prioritized.					
8.4-Approach to studying risks.	In-depth, cost benefit studies are performed before committing the agency.	Risks are accepted with little or no study.					
8.5-Process for monitoring risks.	A risk management program is in place to monitor and minimize exposures.	Exposure is dealt with on a case by case basis. Policies or programs to manage risks do not exist.					
8.6-Attitude toward consultation with external advisors.	External advisors are consulted as needed to supplement internal expertise.	There are no external advisors.					
8.7-Attitude toward internal audit.	Internal audit's assistance is requested whenever internal control issues are surfaced.	Internal audit is never consulted.					

Sec. 8 - Comments:

9 - Managing Change							
Description of Factor	Indication of Stronger Controls	Indication of Weaker Controls	Assessment of Factor				
			Strong - Weak				
			5	4	3	2	1
9.1-Commitment to change.	Management fosters assessment of change and is open to input on requirements.	Management fosters status quo, even when changes are necessary to meet the functional requirements of the business.					
9.2-Support of change.	Management is willing to commit resources to make change happen.	Management offers no resources to facilitate change.					
9.3-Routine change.	Mechanisms exist to identify, prioritize, and react to routine events (i.e., turnover) that affect achievement of agency-wide objectives or action steps.	Procedures are not present or are ineffective.					
9.4-Economic change.	Mechanisms exist to identify and react to economic changes.	Procedures are not present or are ineffective.					

9.5-Regulatory change.	Mechanisms exist to identify and react to regulatory changes (e.g., maintain membership in industry associations that monitor laws and regulations, participate in County forums such as brown bag lunches or round table discussions).	Procedures are not present or are ineffective					
9.6-Technological change.	Mechanisms exist to identify and react to technological changes and changes in the functional requirements of the agency.	Procedures are not present or are ineffective.					

Sec. 9 - Comments:

COMPONENT 3 - CONTROL ACTIVITIES							
10 - Policies and Procedures							
Description of Factor	Indication of Stronger Controls	Indication of Weaker Controls	Assessment of Factor				
			Strong - Weak				
			5	4	3	2	1
10.1-Access to County policies and procedures.	Agency staff have available up to date County policy and procedures in hard copy (printed) form or on-line, and know how to use them.	County policy and procedure manuals are not available.					
10.2-Agency policies and procedures.	The agency has documented its own policies and procedures. They are well understood by agency staff.	Agency policies and procedures do not exist.					

Sec. 10 - Comments:

11 - Controls							
Description of Factor	Indication of Stronger Controls	Indication of Weaker Controls	Assessment of Factor				
			Strong - Weak				
			5	4	3	2	1
11.1-Senior management reviews.	Senior management monitors the agency's performance against objectives and budget.	Senior management does not monitor agency performance.					

11.2-Top level (agency-wide) objective performance reviews by agency management.	Reviews are made of actual performance objectives and performance in prior periods for all major initiatives. Management analyzes and follows up as needed.	Analyses are not performed or management does not follow up on deviations.					
11.3-Top level (agency-wide) financial performance reviews by agency management.	Reviews are made of actual performance versus budgets, forecasts, and performance in prior periods for all major initiatives. Management analyzes and follows up as needed.	Analyses are not performed or management does not follow up on deviations.					
11.4-Direct functional or activity management by agency management.	Performance reviews are made of specific functions or activities, focusing on compliance, financial, or operational issues.	No performance reviews occur.					
11.5-Performance indicators.	Unexpected operating results or unusual trends are investigated.	Operating results and trends are not monitored.					
11.6-Key reconciliations.	Accounts are reconciled on a timely basis. Other data is reconciled as needed.	Reconciliations are not routinely performed.					
11.7-Grant account management.	Grant accounts are reviewed and reconciled. Management monitors grant accounts for compliance and fiscal responsibility.	Grant accounts are not monitored; reconciliations and certifications are not timely.					
11.8-Restricted fund (e.g., gifts) use.	Restrictions on use are well understood. Usage is monitored by management, accounts are reconciled.	Restricted fund accounts are not monitored; usage may not match restrictions.					
11.9-Information processing	Controls monitor the accuracy and completeness of information as well as authorization of transactions.	No information processing controls are in place.					
11.10-Physical controls.	Equipment, supplies, inventory, cash and other assets are physically secured and periodically counted and compared to the amounts shown on control records (e.g., FAMIS or ADPICS).	Equipment, supplies, inventory, cash and other assets are not protected. Control records such as FAMIS or ADPICS are not up to date.					
11.11-Training and guidance for asset custodians.	Adequate training and guidance are provided for personnel responsible for cash or similar assets.	No training or guidance is provided.					
11.12-Segregation of duties.	Duties are divided among different people (e.g., responsibilities for authorizing transactions, recording them and handling the asset are separated).	Inappropriate duties are combined.					

11.13-Record retention.	Agency employees understand which records they are responsible for maintaining and the required retention period. Records are appropriately filed.	Agency employees do not understand which records they are responsible for maintaining. The filing system is inadequate.					
11.14-Disaster response plan.	A disaster response plan, ensuring business continuity, has been developed and is understood by key personnel.	No disaster response plan exists.					

Sec. 11 - Comments:

12 - Controls over Information Systems							
Description of Factor	Indication of Stronger Controls	Indication of Weaker Controls	Assessment of Factor				
			Strong - Weak				
			5	4	3	2	1
12.1-Local information systems and LANs.	System operations are documented; software is appropriately acquired and maintained; access to the system, programs and data is controlled; the system is maintained in a secure environment; applications are appropriately developed and maintained.	Agency has no controls over its local information systems or LANs.					
12.2-Application controls.	Agency controls its computer applications by diligent and timely response to edit lists, rejected transactions, and other control and balancing reports. Controls ensure a high level of data integrity including completeness, accuracy, and validity of all information in the system.	Application controls are not used.					
12.3-Back Up.	Key data and programs on LANs or desktop computers are appropriately backed up and maintained. Off- site storage is adequate considering possible risks of loss.	No formal back up procedures exist. Management has not informed staff of back up requirements.					

Sec. 12 - Comments:

COMPONENT 4 - INFORMATION AND COMMUNICATION**13 - Access to Information**

Description of Factor	Indication of Stronger Controls	Indication of Weaker Controls	Assessment of Factor				
			Strong - Weak				
			5	4	3	2	1
13.1-Relevant external information.	Agencies receive relevant information regarding legislation, regulatory developments, economic changes, or other external factors which affect the agency.	Relevant information is not available.					
13.2-Management reporting system.	An executive information system exists. Information and reports are provided on a timely basis. Detail of reports is appropriate for the level of management. Data is summarized to facilitate decision making.	A formal reporting system does not exist. Reports are not timely or are not at appropriate levels of detail.					
13.3-Management of information security.	Information is evaluated and classified based on level of integrity, confidentiality, and availability. All individuals with access to information are trained to understand their responsibilities related to the information.	Information used by the agency has not been evaluated and classified. Employees are not trained with respect to information security.					

Sec. 13 - Comments:

14 - Communication

Description of Factor	Indication of Stronger Controls	Indication of Weaker Controls	Assessment of Factor				
			Strong - Weak				
			5	4	3	2	1
14.1-Trust.	Trust between employees, supervisors, and other agencies is fostered.	Employees do not trust each other or other agencies.					

14.2-Enforcement of policies.	Employees violating an important policy are disciplined. Management's communications and actions are consistent with policies.	Violations, while not condoned officially, are overlooked. Management's actions are inconsistent with official policies.					
14.3-Recommendations for improvement.	Employees are encouraged to provide recommendations for improvement. Their ideas are recognized and rewarded.	Employees' ideas are not welcomed.					
14.4-Formal communications.	Formal methods are used to communicate agency policies and procedures (e.g., manuals, training programs, written codes of conduct, and acceptable business practices).	To the extent that they exist, policies are buried in unused manuals and documents.					
14.5-External communications.	Standards and expectations are communicated to key outside groups or individuals (e.g., vendors, consultants, donors, sponsors, subcontractors, sub-recipients).	External communication of standards and expectations does not occur.					
14.6-Informal communications.	Employees are kept informed of important matters (downward communication) and are able to communicate problems to persons with authority (upward communication). There is effective functional coordination within the agency (lateral communication).	Most information is received by the "grapevine."					
14.7-Communication with auditors.	Information is shared freely with auditors.	Information is kept secret from auditors.					

Sec. 14 - Comments:

COMPONENT 5 - MONITORING									
15 - Management Supervision									
Description of Factor	Indication of Stronger Controls	Indication of Weaker Controls	Assessment of Factor						
			Strong - Weak						
			5	4	3	2	1		
15.1-Effectiveness of key control activities.	Management routinely spot-checks transactions, records, and reconciliations to ensure expectations are met.	Management never performs spot-checks.							
15.2-Management supervision of accounting function.	Accounting policies are defined and adopted after appropriate consideration. Policies are effectively communicated (e.g., through manuals).	Policies are ad hoc or poorly communicated							
15.3-Management supervision of new systems development.	Policies are defined for development of new systems or changes to systems (e.g., cost/benefit analysis, composition of team, user specifications, documentation, acceptance testing, and user approval).	Policies and procedures are ad hoc, poorly communicated, or ineffective.							
15.4-Budget analysis.	Budgets are compared to actual results and deviations are followed up on a timely basis. Adequate consideration is given to commitments.	An analysis of actual versus budgeted results is not performed, or management does not follow up on deviations.							

Sec. 15 - Comments:

16 - Outside Sources									
Description of Factor	Indication of Stronger Controls	Indication of Weaker Controls	Assessment of Factor						
			Strong - Weak						
			5	4	3	2	1		
16.1-Industry and professional associations.	Data is used to consider performance and to identify changes and trends.	Data not monitored regularly.							
16.2-Regulatory authorities.	Reports from regulatory bodies are considered for their management control implications.	Response is limited to what is necessary to "get by" the regulators.							

16.3-Stakeholders, clients, customers, suppliers, creditors, and other third parties.	Cause of inquiry or complaint is investigated and considered for management control implications.	Dealt with on a case-by-case basis. Consideration is not given to possible effect on controls.					
16.4-External auditors.	Information provided by external auditors about control-related matters are considered and acted upon at high levels.	Findings delegated to lower levels of the agency or explained away.					

Sec. 16 - Comments:

17 - Response Mechanisms

Description of Factor	Indication of Stronger Controls	Indication of Weaker Controls	Assessment of Factor				
			Strong - Weak				
			5	4	3	2	1
17.1-Management follow-up of violations of policies.	Timely corrective action is taken.	Follow-up is sporadic.					
17.2-External or internal audit findings.	Findings are considered and immediately acted upon at appropriate levels.	Consideration of findings are delegated to lower levels of the agency or given low priority.					
17.3-Changes in conditions (e.g., economic, regulatory, technological, or competitive).	Changes are anticipated and routinely integrated into ongoing long- and short-range planning.	Responses are reactive rather than proactive.					

Sec. 17 - Comments:

18 - Self-Assessment Mechanisms					
Description of Factor	Indication of Stronger Controls	Indication of Weaker Controls	Assessment of Factor		
			Strong - Weak		
			5	4	3
			2	1	
18.1-Monitoring of control environment.	Management periodically assesses employee attitudes, reviews the effectiveness of the organization structure, and evaluates the appropriateness of policies and procedures.	Assessment process does not exist.			
18.2-Evaluation of risk assessment process.	Management periodically evaluates the effectiveness of its risk assessment process.	Assessment process does not exist.			
18.3-Assessment of design and effectiveness of internal controls.	Internal controls are subject to a formal and continuous internal assessment process.	Assessment process does not exist.			
18.4-Evaluation of information and communication systems.	Management periodically evaluates the accuracy, timeliness, and relevance of its information and communication systems. Management questions information on management reports that appears unusual or inconsistent.	Assessment process does not exist.			

Sec. 18 - Comments:

APPENDIX B

**MONTGOMERY COUNTY, MARYLAND
OFFICE OF INSPECTOR GENERAL**

QUALITY ASSURANCE REVIEW

**MONTGOMERY COUNTY, MARYLAND
OFFICE OF INSPECTOR GENERAL**

**QUALITY ASSURANCE REVIEW
PERFORMANCE AUDITS**

Auditee _____ Auditor-In-Charge _____

Audit Period _____ Audit Supervisor _____

Government Auditing Standards require audit organizations to have an appropriate internal quality control system in place to comply with those standards. Accordingly, this Quality Assurance Review should be completed for all performance audits by the Auditor-In-Charge (Part A), the Audit Supervisor (Part B) and the Inspector General (Part C) prior to the audit report being released to the public.

Any questions or deficiencies that are noted as a result of completing this review should be resolved or appropriately documented prior to release.

A. IN-CHARGE AUDITOR

Audit Planning and Supervision

1. Was an overall understanding of the auditee's activities and operations obtained by:

- a. Reviewing the prior work papers and permanent files?
- b. Reviewing pertinent statutes and administrative rules?
- c. Reviewing the minutes of board, commission, or other executive committee meetings?
- d. Reviewing legally adopted budgets, including changes authorized by supplemental appropriations?
- e. Reviewing documentation regarding organizational and operational characteristics, such as organization charts and policy manuals.

Yes	No	N/A	Reference or Comments

Audit Planning and Supervision (Continued)

2. In planning the audit, did you determine:
 - a. Audit scope and objectives, including the nature of report(s) expected to be issued?
 - b. Anticipated reliance on management controls, including planned assessed levels of control risk?
 - c. Applicable laws and regulations?
 - d. Timing of audit work including preliminary time budgets?
 - e. Staffing requirements, including levels of technical training and experience necessary to carry out the work?
3. Was the need for specialized skills considered?
4. Was an audit plan prepared in accordance with OIG audit policies and is a copy of the audit plan included in the work papers?
5. Was an entrance conference held with appropriate officials and is a memorandum summarizing the conference included in the work papers?
6. Did you consider significant audit findings identified in previous audits and follow-up on those findings that could affect the current audit objectives? (GAS 6.12)
7. Were assistants informed of their responsibilities and objectives of the procedures they were to perform (e.g., in planning or progress meetings or through the use of detailed, objectives-based audit programs)? (GAS 6.24)

Yes	No	N/A	Reference or Comments

**QUALITY ASSURANCE REVIEW
PERFORMANCE AUDITS (Continued)**
Page 3

Audit Planning and Supervision (Continued)

8. Were supervisory reviews of work performed to determine whether:
 - a. Audit work conforms to professional standards.
 - b. Audit programs were followed and objectives were met?
 - c. Work papers adequately support findings, conclusions, and the audit report? (GAS 6.23, 6.64)
9. Were supervisory reviews of work documented in the work papers? (GAS 6.64)

Compliance With Laws and Regulations

10. Did you determine whether compliance with laws, regulations, and other requirements (e.g., grant agreement(s)) is significant to the audit objectives? (GAS 6.26-.30)
11. If compliance with laws, regulations, and other requirements is significant to the audit objectives:
 - a. Did you assess the risk that significant illegal acts or other non-compliance could occur? (GAS 6.28 and 6.31)
 - b. Did you design and perform audit procedures to provide reasonable assurance of detecting significant illegal acts or other non-compliance? (GAS 6.28)
- 12.a. If information came to your attention (through audit procedures, tips, or other means) indicating that abuse or illegal acts may have occurred, did you consider the potential impact of these acts on the audit results? (GAS 6.32 and 6.35)

Yes	No	N/A	Reference or Comments

**QUALITY ASSURANCE REVIEW
PERFORMANCE AUDITS (Continued)**
Page 4

Compliance With Laws and Regulations
(Continued)

12. Continued

- b. If these acts could significantly affect the audit results, were procedures extended to determine whether the acts occurred and the extent to which the acts affect the audit results? (GAS 6.32 and 6.35)

Management Controls

- 13. Did you obtain an understanding through inquiries, observations, and inspection of documents of the management controls that are relevant to the audit? (GAS 6.39 and 6.42)
- 14. If management controls were significant to the audit objectives, did you obtain evidence to support your judgments about those controls (e.g., by performing tests of controls or other procedures? (GAS 6.39 and 6.43)

Internal Audit Function

- 15. If the work of internal auditors was used in obtaining an understanding of management controls, assessing risk, or performing tests, did you:
 - a. Assess the competence and objectivity of the internal auditors? (GAS 6.15)
 - b. Evaluate the quality and effectiveness of the internal auditors' work, including testing some of the internal auditors' work? (GAS 6.15)

Yes	No	N/A	Reference or Comments

**QUALITY ASSURANCE REVIEW
PERFORMANCE AUDITS (Continued)**
Page 5

Internal Audit Function (Continued)

16. If the internal auditors provided direct assistance to the audit, did you also:

- a. Supervise, review, evaluate, and test the work of the internal auditors? (GAS 6.15)
- b. Inform the internal auditors of their responsibilities, objectives, and other matters affecting their work, including the need to inform you of all significant auditing issues identified in their work? (GAS 6.15)

**Reliability of Evidence From
Computer-Based Systems**

17. If the primary objective of the audit was to determine the reliability of a computer-based system, were the system's general and application controls reviewed? (GAS 6.62)

18. If the audit included a review of general controls:

- a. Were general controls reviewed to determine whether they were designed according to management's direction and known legal requirements?
- b. Were organization and management controls reviewed to determine whether:
 1. There is a clear assignment of responsibilities and accountability for planning, managing, and controlling the data-processing functions.
 2. Personnel are qualified, adequately trained, and supervised?

Yes	No	N/A	Reference or Comments

**QUALITY ASSURANCE REVIEW
PERFORMANCE AUDITS (Continued)**
Page 6

<u>Reliability of Evidence From Computer-Based Systems (Continued)</u>		Yes	No	N/A	Reference or Comments
18. b.	Continued				
	3. There is proper separation of duties?				
	c. Were security controls reviewed (e.g., physical restrictions and password controls) to determine whether adequate security is provided over computer programs, data files, telecommunications network, and input and output materials?				
	d. Were systems software and hardware controls reviewed to determine procedures used to ensure that software and hardware are functioning properly, and to determine how detected errors are reported and corrected?				
19.	If the audit included a review of applications controls:				
	a. Were applications controls reviewed to assess their reliability to process only authorized data and to process them promptly, accurately, and completely?				
	b. Did the review include controls used to ensure that applications software and subsequent modifications are authorized and tested before implementation?				
20.	If the integrity of any findings and recommendations are based on the reliability of computer generated data, did you test reliability? (GAS 6.62)				

**QUALITY ASSURANCE REVIEW
PERFORMANCE AUDITS (Continued)**
Page 7

Evidential Matter

21. Do the audit programs(s) include specific audit objectives developed in order to design the procedures necessary to gather sufficient competent evidential matter?
22. Was audit evidence evaluated to determine whether the specific audit program objectives were achieved (e.g., auditor conclusions clearly stated in relation to completion of procedures performed)?

Analytical Procedures

23. Were analytical procedures performed during the planning phase of the audit?
24. For analytical procedures performed as substantive tests:
- a. Was the reliability of the data evaluated by considering the source of the data and the conditions under which it was gathered? (GAS 6.58)
 - b. Were auditor expectations developed at a detailed level in order to identify differences that may be material misstatements?
 - c. Were significant unexpected differences investigated and evaluated?
25. Were analytical procedures performed in the overall review stage of the audit?

Yes	No	N/A	Reference or Comments

**QUALITY ASSURANCE REVIEW
PERFORMANCE AUDITS (Continued)**
Page 8

Audit Sampling

26. Do sampling plans include all proper details in accordance with OIG audit policies (e.g., identification of test objectives, population, sampling unit, selection method, allowable risk of incorrect acceptance, and tolerable error rates)?
27. Were sample items selected in such a way that the sample was expected to be representative of the population?
28. Were the results of sample tests projected to the population?
29. Were qualitative aspects of monetary errors or control deviations evaluated, including the nature and cause of the errors or deviations?

Work Papers

30. Were audit programs reviewed and approved in advance by the audit supervisor?
31. Have all audit program steps been initialed and dated by the auditor, or properly explained if not performed?
32. Do the work papers include proper details in accordance with OIG audit policies (e.g., headings, cross-references, tick mark explanations)?
33. Have all notes, questions, or exceptions posed by staff performing the audit been followed up and resolved?
34. Do the work papers include summary statements of auditor conclusions regarding work completed?

Yes	No	N/A	Reference or Comments

**QUALITY ASSURANCE REVIEW
PERFORMANCE AUDITS (Continued)**
Page 9

35. Have permanent files been updated to include current information regarding the auditee and its management control structure?

Legal Representations

36. Was a properly signed and dated legal representation letter obtained from the county or other appropriate attorney?

Reporting Standards

37. Does the report describe the objectives of the audit, including an explanation regarding why the audit was conducted and what the report was intended to accomplish? (GAS 7.10-.12)
38. Does the report describe the audit scope, including the depth and coverage of the audit work? (GAS 7.10 and 7.14)
39. If any significant constraints were imposed on the audit approach by data limitations or scope impairments, are they properly disclosed? (GAS 7.14)
40. Does the report describe the audit methodology, including an explanation of the evidence gathering and analysis techniques used to accomplish the objectives of the audit? (GAS 7.10 and 7.15)
41. Does the report include a full discussion of the significant audit findings, and where applicable, auditor's conclusions? (GAS 7.17-.20)
42. If other less significant audit findings were communicated separately to management in writing, does the audit report make reference to the letter(s)? (GAS 7.18 and 7.29)
43. Does the report include specific recommendations for actions to correct problem areas and to improve operations? (GAS 7.21-.23)

Yes	No	N/A	Reference or Comments

**QUALITY ASSURANCE REVIEW
PERFORMANCE AUDITS (Continued)**
Page 10

Reporting Standards (Continued)

44. Does the report include the status of uncorrected significant findings and recommendations from prior audits that are relevant to the objectives of the current audit? (GAS 7.22)
45. Does the report include a statement that the audit was made in accordance with generally accepted government auditing standards and disclose when applicable standards were not followed? (GAS 7.24)
46. Does the report include relevant information regarding all significant instances of non-compliance or abuse that were found during the audit? (GAS 7.26-.27)
47. In reporting significant instances of non-compliance, are the instances of non-compliance related to the universe or number of cases examined? (GAS 7.28)
48. If non-significant instances of non-compliance were detected, have they been communicated to the auditee (preferably in writing)? (GAS 7.29)
49. With respect to management controls, does the report identify the scope of the assessment work and any significant weaknesses found during the audit? (GAS 7.34-.37)
50. Does the report include the views of responsible officials of the auditee concerning the audit findings, conclusions, and recommendations, as well as any corrective action auditee management plans to take? (GAS 7.38)
51. Does the report include a description of any significant and noteworthy management accomplishments identified during the audit? (GAS 7.43-.44)

Yes	No	N/A	Reference or Comments

**QUALITY ASSURANCE REVIEW
PERFORMANCE AUDITS (Continued)**
Page 11

Reporting Standards (Continued)

52. If any significant issues needing further study were identified during the audit, have those issues been referred to the Audit Supervisor and included in planning notes for future audits (GAS 7.45-.46)

53. If any pertinent information was omitted from the report because it was prohibited from general disclosure, does the report include a statement regarding the nature of such information and the requirement that makes the omission necessary? (GAS 7.47)

54. Is the report written in clear, concise language, free of excessive acronyms? (GAS 7.61-.65)

Auditee Representations

55. Was a properly signed and dated management representation letter obtained?

Yes	No	N/A	Reference or Comments

Part A Completed by:

Date:

**QUALITY ASSURANCE REVIEW
PERFORMANCE AUDITS (Continued)**
Page 12

B. AUDIT SUPERVISOR

Audit Planning

1. Did you participate in an entrance conference and discuss with the auditee the scope, objectives, and timing of the audit?
2. Did you review and approve an audit planning document and any subsequent changes therein?
3. Did the audit plan and program adequately provide for achieving all applicable audit objectives?
4. Was a sufficient understanding of the management controls obtained to plan the audit and to determine the nature, timing, and extent of tests to be performed?
5. Was the understanding of the management controls adequately documented?
6. Was the potential for errors, irregularities, abuse, or illegal acts (non-compliance with legal provisions) properly considered during planning?

Audit Field Work

7. Did you review and approve audit programs prior to the start of the related field work?
8. Does the audit plan adequately provide for achieving all applicable audit objectives?
9. Did you periodically visit the job site to assess audit progress and review work papers?
10. Have you reviewed all work papers prepared by the in-charge auditor, as well as work papers that support significant findings?

Yes	No	N/A	Reference or Comments

**QUALITY ASSURANCE REVIEW
PERFORMANCE AUDITS (Continued)**
Page 13

Audit Field Work (Continued)

11. Has proper action been taken in response to unexpected or unusual problems, trans-actions, or test results noted during the audit?
12. Were adequate tests of compliance with legal provisions performed?
13. Has proper action been taken in response to material errors, irregularities, or illegal acts noted during the audit?
14. Have all unperformed audit programs steps, review notes, and other open items been satisfactorily completed or resolved?

Audit Completion and Report

15. If applicable, was a properly signed and dated management representation letter obtained?
16. Are you satisfied that the in-charge auditor properly completed Part A of this checklist, including all appropriate cross-references to supporting work papers?
17. Did you participate in an exit conference and discuss the audit results with the auditee?
18. Is the audit report:
 - a. Complete, including all information needed to satisfy the audit objectives, promote an adequate and correct understanding of the matters reported, and meet applicable report content requirements?
 - b. Accurate, including only information, findings, and conclusions that are supported by competent and relevant evidence in the work papers?

Yes	No	N/A	Reference or Comments

**QUALITY ASSURANCE REVIEW
PERFORMANCE AUDITS (Continued)**
Page 14

Audit Completion and Report (Continued)

19. Continued

- c. Objective, including a fair, impartial, and balanced tone?
- d. Convincing, including persuasive findings, and conclusions and recommendations that follow logically from the facts presented?
- e. Clearly written in a manner that is easy to read and understand?
- f. Concise, free of unnecessary detail and/or needless repetition?

Yes	No	N/A	Reference or Comments

Part B Completed By:

Date:

**QUALITY ASSURANCE REVIEW
PERFORMANCE AUDITS (Continued)**
Page 15

C. INSPECTOR GENERAL

1. Are you satisfied that all planned audit objectives have been achieved?
2. Have all questions or pending matters resulting from your review of report drafts or other pertinent documents been satisfactorily resolved?
3. Have you reviewed Parts A and B of this checklist as completed by the in-charge auditor and the audit supervisor respectively?
4. Based on your review of the audit report and any other information that has come to your attention are you satisfied that:
 - a. The audit work performed and documented is adequate to support all information in the audit report?
 - b. The audit report and supporting work papers comply with OIG – audit policies and applicable professional standards?

Yes	No	N/A	Reference or Comments

Part C Completed By:

Date:

APPENDIX C

**MONTGOMERY COUNTY, MARYLAND
OFFICE OF INSPECTOR GENERAL**

EVIDENCE STANDARDS

MONTGOMERY COUNTY, MARYLAND

OFFICE OF INSPECTOR GENERAL

EVIDENCE STANDARDS

100. INTRODUCTION

Evidence is information gathered to support an audit finding or conclusion. There are four basic types of evidence that can be gathered or prepared to support audit positions: physical evidence, documentary evidence, analytical evidence, and testimonial evidence.

200. PHYSICAL EVIDENCE

Physical evidence is information obtained by direct inspection or observation of activities of people, property, or events, and is usually combined with some form of documentation. Examples include actual samples, photographs, charts, maps, and memoranda of observations.

Generally physical evidence is very reliable but beware of staged exhibitions. To help ensure that such evidence provides a conclusive and appropriate factual basis for an audit position, the auditor should consider the following:

1. having at least two staff members attending the observation;
2. having agency or contractor personnel accompany the auditors to the point of the observation for corroboration purposes;
3. preparing a memorandum detailing what was observed; and
4. asking, when deemed necessary, appropriate agency or contractor personnel to sign the memorandum.

300. DOCUMENTARY EVIDENCE

Documentary evidence is printed or written material originating inside or outside the agency being audited. Examples include letters, memos, contracts, accounting records, invoices, computer printouts, laws, regulations, policies, procedures, etc.

Documentary evidence is the most common form of evidence used in support of an audit report. Auditors should be alert for indications that the documents may have been altered. Also, documents are sometimes inaccurate, incomplete or outdated, and the meaning of the information can easily be taken out of context. Auditors should attempt to corroborate

documented pieces of information with other documents or testimonial evidence from agency officials or both.

400. ANALYTICAL EVIDENCE

Analytical evidence is analysis or verification of other types of evidence. Examples include computations, reasoning, comparisons of data with established standards (laws, past activities, etc.) and separation of information into components.

The development of sound analytical evidence requires the application of logical and applied reasoning on the part of the auditor. It is often the most powerful form of evidence used to demonstrate that evidence is sufficient to support findings, recommendations, and conclusions.

500. TESTIMONIAL EVIDENCE

Testimonial evidence is information obtained from others through statements received in response to inquiries or through interviews, conferences, or other forms of discussion. Examples include interview write-ups or questionnaires.

Testimonial evidence is often very helpful, but it is subject to misunderstanding by the parties involved. Write-ups should be prepared promptly to ensure accuracy. The reliability of a write-up can be improved by having the person interviewed acknowledge agreement by signing it. For important interviews it is advisable to have two auditors present.

The source of statements critical to the audit is important. Does the person(s) interviewed have the knowledge and authority to speak for the agency? If not, additional contacts must be made. Statements critical to the audit should be corroborated when possible by checks of records or physical tests.

600. BASIC TESTS OF EVIDENCE

Audit evidence should meet the basic tests of competence, relevancy, and sufficiency.

610. Competence

To be competent evidence should be reliable and the best obtainable through the use of reasonable audit methods. In evaluating the competence of evidence auditors should carefully consider whether there is any reason to doubt its validity or completeness. If there is, auditors should obtain additional evidence.

The following are useful in judging the competence of evidence, but they are not to be considered sufficient in and of themselves to determine competence:

1. Evidence obtained from an independent source is more reliable than that secured from the auditee agency.
2. Evidence developed under a good system of management control is more reliable than that obtained where such control is weak or unsatisfactory.
3. Evidence obtained through physical examination, observation, computation, or inspection is more reliable than evidence obtained indirectly.
4. Original documents are more reliable than copies.
5. Testimonial evidence obtained under conditions where persons may speak freely is more credible than testimonial evidence obtained under compromising conditions, e.g., where the persons may be intimidated.

620. Relevance

Relevance refers to the relationship of evidence to its use. The information used to prove or disprove an issue must have a logical, sensible relationship to that issue.

630. Sufficiency

Sufficiency is the presence of enough factual, adequate, and convincing evidence to lead a user of the audit report to the same conclusion as the auditor's. Determining the sufficiency of evidence requires judgment. When appropriate, statistical methods may be used to establish sufficiency.

APPENDIX D

**MONTGOMERY COUNTY, MARYLAND
OFFICE OF INSPECTOR GENERAL**

WORK PAPER STANDARDS

**MONTGOMERY COUNTY, MARYLAND
OFFICE OF INSPECTOR GENERAL**

WORK PAPER STANDARDS

100. INTRODUCTION

Work papers are the link between fieldwork and the audit report. The quality of work papers is a reflection of the auditor's skill and a measure of the auditor's level of performance.

200. PURPOSES

The two main purposes of work papers are to provide a systematic record of audit work performed and to provide support for reported findings, recommendations, and conclusions. The work papers may be used by other auditors or as evidence in court proceedings or before quasi-judicial bodies. Work papers are also used to provide:

1. Evidence of the auditor's understanding and evaluation of the auditee's system of management control,
2. Evidence of the nature and extent of the audit tests performed,
3. Information to audit supervisors for managing their assignments properly, and for evaluating the performance of staff members, and
4. A record of information for use in planning subsequent assignments.

300. CUSTODY AND RETENTION

It is the policy of the Office of Inspector General to ensure the safe custody and retention of work papers for a time sufficient to satisfy legal and administrative requirements.

Each staff member is responsible for protecting work papers from unauthorized use. Work papers frequently contain information about an organization's operations that may be of a confidential nature.

To protect the audited organization's information that may be confidential, work papers and other data should not be left open to the view of employees, visitors, or others who may not have a right to examine them. Work papers should be protected from scrutiny, theft, damage, or loss during overnight or weekend absences of the auditor.

400. ESSENTIALS OF WORK PAPERS

Work papers should be included in file folders in a manner which will facilitate their current and subsequent use and will insure against their being lost or mutilated. Each folder should be completely labeled and contain a table of contents. Each work paper should show the following:

1. The title of the audit and the title of the work paper.
2. The work paper number for filing and referencing purposes.
3. The source of the information – specifically where did the data come from, e.g., documents, conversations, interviews, etc. individuals contacted and their titles should be shown. This applies to schedules and documents given to the auditor as well as data compiled by the auditor. This section should be complete so that the information can be easily verified if necessary.
4. The preparer's initials and date of work paper preparation.
5. The supervisor's initials and date of supervisory review.
6. The purpose for the work paper.
7. The conclusion(s), if any, based upon the definitive purpose of the work paper and the data it contains. When the conclusions recorded on one work paper are based in part on data recorded on other work papers, that fact should be clearly shown. Cross-referencing by work paper number is essential.
8. A legend for all "tic marks" and other symbols.

500. OTHER FIELDWORK STANDARDS FOR WORK PAPERS

Work papers should:

1. Contain a written audit plan referenced and cross-referenced to the work papers.
2. Contain the objectives, scope, methodology, and results of the audit.
3. Contain sufficient information so that supplementary oral explanations are not required.
4. Be neat, clear, concise, and legible with adequate indexing and cross-referencing and include summaries where appropriate.

5. Restrict information included to matters that are materially important and relevant to the objectives of the audit.
6. Contain evidence of supervisory review of the work conducted.

600. INDEXING

No standard indexing system can be prescribed because of the great diversity of audit assignments. The indexing system developed should be controlled by the audit supervisor; be devised as part of the audit plan; be designed to facilitate ready reference and control of related work papers; be simple; and be capable of expansion. Work papers should be indexed as they are completed not at the end of the assignment.

700. REFERENCING AND CROSS-REFERENCING

Proper referencing and cross-referencing of work papers will assist the auditor, the audit supervisor, the reviewer, and others having cause to refer to the work papers. To assure adequacy and uniformity in referencing and cross-referencing, the work papers for each assignment should be referenced and cross-referenced as follows:

1. Referencing and cross-reference each fact appearing in a work paper to supporting documentation located in other work papers.
2. Reference and cross-reference the work papers and the audit plan.
3. Reference and cross-reference the work papers and the draft report.

800. SUPERVISORY REVIEW

All work papers should be promptly reviewed by the responsible audit supervisor and satisfaction with the work should be signified by the supervisor's initials on each work paper. Questions arising from these reviews and answers to those questions should be included on work paper review notes and included in the work paper files.

The review process is important and must not be carried out in a superficial or perfunctory manner. Its importance is based on the need to be assured that competent, relevant, and sufficient evidence supports all audit work and related findings.

APPENDIX E

**MONTGOMERY COUNTY, MARYLAND
OFFICE OF INSPECTOR GENERAL**

STYLE AND MECHANICS MANUAL

**MONTGOMERY COUNTY, MARYLAND
OFFICE OF INSPECTOR GENERAL**

STYLE AND MECHANICS

In most cases the style used in writing OIG performance audit and investigative reports conforms to standard rules. When there is a conflict between OIG rules and standard rules, OIG style rules take precedence. For questions not answered in this section Webster's Collegiate Dictionary (10th ed.) and The Elements of Style (3rd ed.) should be consulted:

100. Punctuation. Use the least restrictive punctuation possible. For example, if a comma is correct and conveys the desired meaning, use a comma instead of a semi-colon.

110. Commas indicate the smallest interruption in sentence flow.

111. When construction is clear without commas, do not use them.

Example: The County plays a key role in regulating group homes and in providing financial assistance to developmentally disabled residents.

112. In a series of three or more elements, separate each element by a comma (i.e., do place a comma before the "and").

Example: Homes for adults are becoming an increasingly important housing option for the aged, infirm, and disabled.

113. Omit commas at the end of display lines such as titles, centered headings, and date lines.

114. In dates, use a comma before and after the year if month, day, and year are all given. If only the month and year are given, no commas are needed.

115. A comma is used to set off "Jr." and "Sr." but not numerals after a name.

116. Use commas in numbers over three digits unless the four digit number refers to a year.

120. Semi-colons indicate a more important break in sentence flow than commas.

121. Long complex items in a series should be separated by a semi-colon.

- 122.** Items subdivided by commas should be separated by a semi-colon.
- 123.** Two complete thoughts joined by "moreover," "consequently," "also," "therefore," or "however" should be separated by a semi-colon.
- 130.** Colons are often used to introduce lists or series, long quotations, case studies, and bulleted items. A colon is always followed by two spaces.
- Example: The director's executive staff includes four offices:
planning, budgeting, administration, and internal audit.
- 140.** Quotation marks are always placed outside commas and periods, inside semi-colons and colons. The placement of quotation marks with question marks and exclamation points depends upon the particular sentence. If a question mark or exclamation point refers to the entire sentence, it is placed after the quotation marks. If a question mark or exclamation point refers only to the quoted material, it is placed inside the quotation marks.
- 141.** Key or technical terms may be placed in quotation marks the first time they appear.
- 150.** Hyphens are used when two or more words that function temporarily as a unit are used to modify a noun.
- Examples: far-reaching implications
 part-time employment
 Medicaid-eligible persons
- 151.** A hyphen is usually not used if one of the words ends in "ly," or if the words follow a form of the verb "be."
- Examples: a quickly flashing light
 the implications are far reaching
- 152.** A hyphen is used for fractions, two-word numbers under one hundred, and a number and unit of measure used as an adjective.
- Examples: thirty-one
 two-thirds
 40-hour week
- 160.** Dashes are used for sudden breaks in thought that cause an abrupt change in sentence structure. A dash is made by typing a space, two hyphens, and another space.

- 170.** Apostrophes are used to indicate possession, but are usually omitted in names of organizations when the possessive is implied.

Example: Employees Retirement System

- 171.** Do not use an apostrophe when referring to a decade or when forming the plural of an acronym.

Examples: the 1960s
Congress is influenced by PACs.

- 180.** Parentheses without periods are used to enclose numerals or letters marking divisions or enumerations.

Example: At a minimum, clients should receive (1) adequate instruction on the use and effects of their medications, (2) daily living and social skill training, and (3) information on community services.

- 190.** Ellipsis is used to indicate omitted words in quotations. There is no need to use an ellipsis for words omitted at the beginning of a quote; simply begin with a small letter. To type an ellipsis use three periods. If the ellipsis occurs at the end of the quote use four periods before the quotation mark.

- 200. Capitalization.** The OIG follows a down-case style. When in doubt, do not capitalize. However, in some circumstances a strong case can be made (for reasons of tone or clarity) for capitalizing recurring elements such as job titles. In such cases the decision should be made by the audit team. The key is consistency. If "Community Services Boards" is capitalized on page 8, it must be capitalized on page 48 as well.

- 210.** County, when referring to Montgomery County, is capitalized.

- 215.** County is capitalized when it refers to Montgomery County and is part of a hyphenated word.

Example: He was driving a County-owned car.

- 220.** County is not capitalized when it is part of a word.

Example: The bill had countywide support.

- 225.** Federal is not capitalized, except when it is part of a name.

Example: Federal Reserve Bank, federal funds

230. Social Security, Medicare, and Medicaid are capitalized.

235. Full names of governmental and judicial bodies, institutions, and companies are usually capitalized. Adjectives derived from the full names and incomplete names are usually lowercase.

Examples: County Council
 Department of Finance
 the department

240. Titles are usually capitalized when they precede a name as part of the name. Titles following a name or in place of a name are generally lowercase. An exception to this rule is made by capitalizing "executive" when it refers to the Montgomery County Executive.

245. Certain nouns and some adjectives designating parts of the world are generally capitalized.

Examples: the Northeast, northeastern states

250. Court used alone is capitalized only when it refers to the U.S. Supreme Court or the Maryland Court of Appeals.

255. When a generic term precedes more than one name, it is usually capitalized.

Example: Departments of Police and Finance

260. When a generic term follows more than one name it is usually lowercase.

Example: Police and Finance departments

265. Names of days and months are capitalized; seasons are lowercase.

270. County Council and Council and other words referring to the Montgomery County Council are always capitalized.

300. Other Mechanical Elements.

310. Numbers one through ten are spelled out, except when expressing years, page numbers, or large sums of money; all other numbers are expressed as figures, except when a number begins a sentence.

Examples: 9 A.D.
 page 9
 \$9 million
 Nineteen were injured

- 320.** Time of Day is usually spelled out; except when the exact time is important.

Examples: He goes to lunch at one o'clock.
 The workday starts at 8:15 a.m.

- 330.** Fractions which can be written as compound words are usually spelled out. Fractions are expressed as figures when they are part of a numeral or in a series of numerals; however, the use of decimals is preferred.

- 340.** Dates - Do not use "st," "rd," or "th" after figures in dates.

- 350.** Quoted Material must be an exact reproduction of the original. Any omission of words must be indicated by ellipses.

There are two ways to indicate quoted material. Short quotes (under four lines) are enclosed in quotation marks and run on within the paragraph. Longer quotes are put in block form. A line is skipped before and after the quote and right and left margins are indented. Block quotes are not enclosed in quotation marks.

- 360.** Abbreviations should be used sparingly. When acronyms are used the periods are omitted. At first reference, acronyms must be preceded by the full name (if needed for clarity, repeat the full name throughout the report at specific places, such as the first reference in each chapter or section).

When using acronyms, be careful to avoid redundancies.

Example: the FAMIS system

Do not abbreviate names of states, proper names, or titles; however, "United States" may be abbreviated to "U.S." (without a space) when it modifies a noun, otherwise it is always spelled out when used independently.

- 370.** Percent is spelled out in textual matters. After numbers expressed as figures in tables and other graphics, the "%" sign is used.

400. Helpful Hints.

- 410.** Pronoun References - When a pronoun is used, make certain there is no doubt who is being referred to.

- 420.** Subject and Verb Agreement - The more words in a sentence, the easier it is to lose sight of the subject and have the verb agree with a closer noun instead of the subject.

- 430.** Placement of Modifiers - Misplaced modifiers can distort the meaning of a sentence and confuse the reader. Place modifiers as close as possible to the word they are modifying.
- 440.** Homonyms
- 441.** Affect or effect? Affect is a verb meaning to change or influence. Effect is most often used as a noun, meaning a result or outcome. Effect can also be used as a verb meaning to bring about.
- 442.** Appraise or apprise? Appraise means to determine or set value. Apprise means to inform or notify.
- 443.** Capitol or capital? Capitol is used only when referring to a building. Capital is used for all other meanings (Capital outlay, capital city, capital letter, capital idea).
- 444.** Principle or principal? Principle is a noun meaning a rule or standard. Principal is a noun or adjective meaning chief.
- 450.** Active Voice - Use active voice rather than passive voice whenever possible.

APPENDIX F

**MONTGOMERY COUNTY, MARYLAND
OFFICE OF INSPECTOR GENERAL**

SUBPOENA PROCEDURES

SUBPOENA PROCEDURES

100. Authority

Section 2-151 (l) (2) of the Montgomery County Code empowers the Office of Inspector General to require by subpoena any person to appear under oath as a witness or produce any record or other material in connection with an audit or investigation under this Section. Any subpoena issued under this Section may be enforced in any court with jurisdiction.

200. Records Subject to Subpoena

Generally, this subpoena power applies to four basic categories of records:

201. Business Records or Other Material

This statutory provision enables the Inspector General to require production of any business record or other material.

202. Personal Records or Other Material

An individual can be requested to produce relevant records or other material within his/her personal possession, including tax returns, bank statements, and employment records. For example, personal records or other material of a corporate officer can be requested in addition to business records or other material of the corporation.

203. Financial Institution Records or Other Material

Banks, savings institutions, credit unions, loan companies, and credit card companies can be required to produce their relevant records and other materials and those of their customers

204. Government Records or Other Material

A state, county, municipal or quasi-governmental body or agency can be required to produce relevant records or other material.

300. Policy on Use of Subpoenas

Under normal procedures, if records or other material are available under the audit clause of a contract, or if an individual has a contractual obligation to provide certain information, auditors/investigators shall first attempt to obtain such information by reference to such authority. A subpoena will not be issued by the Inspector General until such information obtainable by other means has been examined and analyzed. This enables the Inspector General to define with particularity those records or other material needed to complement available information. If the recipient seeks to quash the

subpoena, the Inspector General will be able to demonstrate that the requested records or other material cannot be obtained under normal procedures.

Normally, the issuance of a subpoena should be considered at an early stage of an audit/investigation. Such early review can help significantly in determining the appropriateness of a subpoena, in reviewing alternative means of acquiring needed records or other material, in limiting such subpoena to information which is relevant, specifically designated, and admissible, and in framing and processing the subpoena itself.

400. Procedures for Issuing a Subpoena

Written requests by auditors/investigators for issuance of a subpoena shall contain the following information:

401. Background of Subject Matter Under Audit/Investigation

This section of the request shall set forth a concise history of the audit/investigation to date. It shall include the authority of the audit/investigation, an identification of the contracts and individuals involved, the ultimate goals of the audit/investigation, and a summary of the audit/investigation completed to date.

402. Justification for Subpoena Request

This section of the request shall describe the records or other materials sought by subpoena and explain why such information cannot be obtained by other means. Any lack of cooperation by the party under audit/investigation or the custodian of desired records or other materials shall be discussed. The request shall specify the particular audit or investigative goals that will be furthered by the subpoena.

In requiring the production of records or other material by subpoena, the Inspector General is not required to determine that there is probable cause to believe that a violation of a criminal or civil statute or administrative regulation has been committed or that the information sought constitutes evidence of such violation. Instead, it need only be determined that the record or other material sought is reasonably necessary to further appropriate auditing, investigative, or related activities of the Office of Inspector General.

403. Identification of Recipient of Subpoena

If the record or other material is to be obtained from a corporation, a corporate officer, appropriate regional official, or custodian of such information of the corporation shall be the named recipient. A subpoena of partnership records or other material shall be directed to a partner. A subpoena for such information of a financial institution shall be directed to the custodian of the records. If such information is sought from a state, county, or municipal agency, the head of the agency shall be specified as the named recipient.

404. Description of Requested Information

This section of a request for subpoena shall describe as precisely as possible the record or other material to be obtained by subpoena. While individual documents need not be identified, the requested information shall be divided into reasonable categories, e.g., telephone, telefacsimilies, and e-mail records, day-timer records, payroll records, payment invoices, bank statements, or income tax returns. The records or other material shall be identified as completely as possible by date and party.

Consideration shall be given to the use of “including but not limited to...” language in the subpoena to assure that both specifically known records or other relevant material (that may not be individually known or identifiable) may be obtained.

405. Time and Place for Return of Service.

A location shall be specified in the subpoena for return of service. That location should be at the Office of Inspector General or within reasonable location of the requested information. In unusual circumstances, e.g., involving voluminous documents, arrangements may be made to allow a return on the premises of the recipient of the subpoena.

406. Approval and Processing of Subpoenas

A subpoena request shall be reviewed by the Inspector General for completeness, legality and validity and shall be issued only upon approval and signature of the Inspector General. Such document shall include necessary statutory authorization, specification of records or other material being requested, attachments/appendices describing the documents sought, appropriate correspondence, and staff memoranda, if any, recommending approval of the subpoena by the Inspector General. A specific date and time for return of service shall be included.

407. Service of Subpoena

The Inspector General shall determine the most appropriate method for service to be accomplished, e.g., by personal service at the corporate location, private dwelling or government office; or by registered or certified mail or other means.

If personal service is chosen, the subpoena shall be delivered, with attachments, to the addressee as expeditiously as possible.

If service is effected by mail, the subpoena and attachments shall be mailed to the recipient via certified mail, return receipt, restricted delivery.

If service is to be made upon a corporation or a government office, it should be delivered during business hours and to the addressee. If a corporate addressee is unavailable, delivery to a corporate officer or registered agent for service of process will suffice.

408. Return of Service

The date for compliance with the subpoena shall be within a reasonable time after the date of service.

Prior to the date of return, the auditor/investigator may be asked to examine the record or other material upon the premises of the recipient to verify the existence and volume of the information requested.

On the designated date and time for return, the requested records or other material shall be delivered to the Office of Inspector General. The delivering party shall be given a receipt for all records and other material delivered. The auditor/investigator should be prepared to receive such delivery on the designated date and have adequate personnel resources available to begin a complete examination of the submittal. While no precise time limit can be set for the completion of the examination of the submittal, the auditor/investigator shall proceed as expeditiously as possible to complete such analysis.

Original records or other material shall be obtained unless the subpoenaed party can effectively demonstrate that the delivery and absence of the original information will act as a major impediment to the operation of his or her office or business activity. In that case, the subpoenaed party may provide certified copies in lieu of originals; however, the original records or other material must be made available for verification, if requested.

500. Return Proceedings and Subsequent Questioning

In many instances, the delivery of the subpoenaed information is a relatively simple matter. The submittal should include a certification of the subpoenaed party's capacity to **certify the documents** and a sworn statement indicating that the information is accurate, complete and in full compliance with the subpoena.

If the auditor/investigator finds that the submittal is not complete or in full compliance with the subpoena, a **subpoena return proceeding** shall be convened and the subpoenaed party will be placed under oath and questioned. All such questions will be recorded by stenographic reporter, on tape, or by other means. Such questions shall be limited to an inquiry as to the accuracy, validity and completeness of the submitted records or other material. On completion of such examination, the record or tape will be transcribed and retained by the Office of Inspector General.

In questioning the subpoenaed party, the examination format should establish that (1) such party is an official employed to certify the records; (2) the records or other material are kept in the normal course of business; and (3) such information is complete and

unaltered and constitutes full compliance with the subpoena. In the alternative, there shall be specified areas in which compliance has not been completed.

The subpoenaed party has the right to be represented by an attorney at the subpoena return proceeding. However, the OIG auditor/investigator has the responsibility of ensuring that the subpoena has been complied with in full. Any objection by the attorney to any question concerning subpoena compliance will be noted in the record. If the party refuses to answer any question a similar notation will be made in the record.

600. Handling of Records or Other Material

Upon receipt, subpoenaed records or other material will be marked individually or by category, assigned an exhibit number, and indexed, preferably in the presence of the subpoenaed party. It is necessary that an accurate **record is compiled** of the records or other material received.

In utilizing subpoenaed records or other materials, **evidentiary control** shall be maintained over all such information. Access to the materials shall be carefully controlled in accordance with standard evidentiary custodial procedures.

Upon completion of the examination of the submitted records or other materials, the Inspector General shall determine which information shall be kept for later use, and which information may be returned to the subpoenaed party. A receipt shall be obtained for all information returned to the subpoenaed party. Any information that may serve as evidence in a subsequent criminal, civil or administrative proceeding shall be retained until all related proceedings have been exhausted.

700. Subpoena for Testimony

The Montgomery County Code empowers the Inspector General to issue a subpoena requiring the attendance and testimony of witnesses on pending audits, investigations, and related activity.

800. Failure to Comply

When a subpoenaed party refuses to comply, fails to appear, or fails to provide records or other material as required by the subpoena, the Inspector General may initiate subpoena enforcement actions in any court with jurisdiction.